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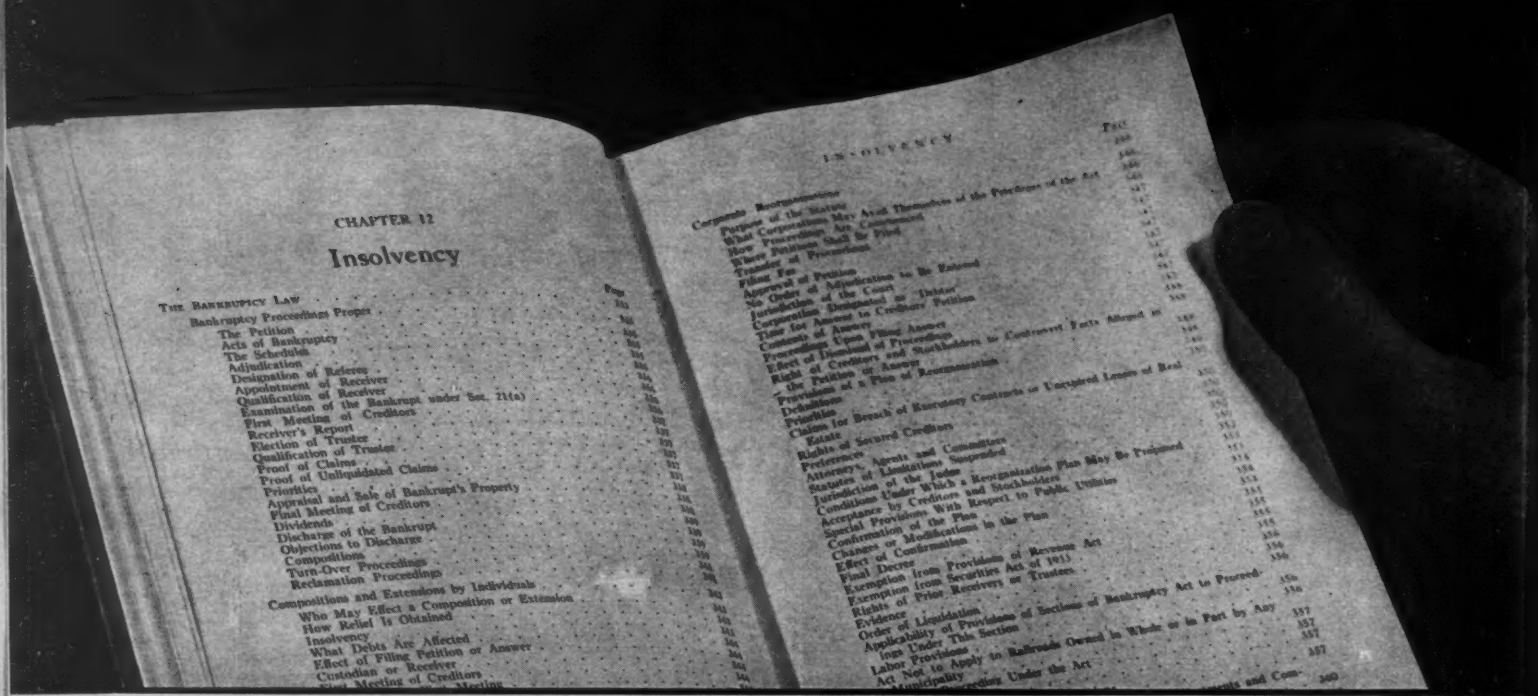
Sound money; bedrock of business

See article on page 15



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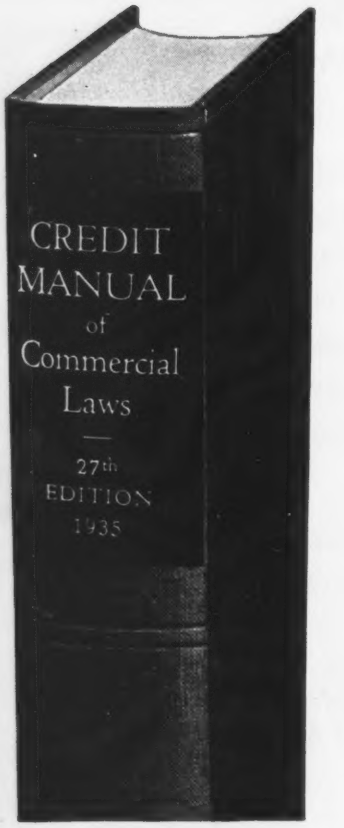

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CONTENTS FOR JANUARY, 1935

Looking ahead

The second month of the new year will find the contents page of CREDIT AND FINANCIAL MANAGEMENT featuring a variety of articles—a variety as infinite as this month's but with even more emphasis on actual credit department operations.

The Preston series on successful credit systems will be resumed with a study of efficient layouts now in operation in the grocery industry. The regular quarterly survey of credit and collection conditions in Latin-America will again be presented and explained by W. S. Swingle, director of the N.A.C.M.'s Foreign Department and the affiliated Foreign Credit Interchange Bureau.

Other pieces include an article by National Director E. W. Hillman on how to turn down would-be debtors, get their trade on a cash basis, and retain good-will at the same time; another on the relationship of the credit man and the lawyer; and another on how to rebuild firms that are good outlets but have been slipping lately.

Cover drawn by WAYN SMITH

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Let us resolve . . . .

Economics wastes must go. The day of easy profit is gone. Let us hope that the wild extravagances which characterized the post-war period will not be repeated in our generation. Excessive indulgence, in life or business, is self-destroying.

The rewards for business in the years ahead will be more conservative. The participation in these rewards will be selective rather than general. The profits will go to the alert and the industrious rather than to those who drift along in the hope of eventually being carried forward by favorable trade winds. Merely getting into the tide of business recovery will not, as in the past, insure earnings.

A considerable portion of the earnings of the future will arise from the elimination of the waste of the past. And herein will be found a fertile field for credit executives to help raise profits. Bad debt losses of a billion a year will no longer be countenanced. Easy earnings—and antiquated credit tools that permitted such staggering wastes—will disappear. With modern credit implements such losses are both economic and unnecessary.

Seven thousand members of the National Association of Credit Men have made a most constructive and practical New Year's resolution in declaring war upon credit waste. Realizing that a dollar saved is a dollar earned, they intend earning dollars by avoiding needless credit losses.

These savings—and consequent profits—will be made possible by a fuller use of the most modern and reliable credit service, the Credit Interchange Report. Having pioneered and developed this unequalled service, these credit men now pledge themselves to urge its complete National use. They seek to build the strength of their present army of seven thousand to twenty thousand.

1935 is Credit Interchange Year.

Throughout the year an aggressive attack will be made on the bad debt waste, with Credit Interchange siege guns manned by a volunteer army that is fighting for a splendid cause.

Seven thousand of your fellow Credit Executives appeal to you to enlist in their war on credit waste.

Resolve today to call your nearest Credit Interchange Bureau and enroll yourself in this drive for profits and business recovery.

Henry H. Heimann

Executive Manager, N.A.C.M.

1935 may bring problem of how to put brakes on credit rather than how to speed its liberal expansion

By LAURENCE P. MORSE,
Financial Editor, Boston Transcript.

A few weeks ago Eugene Black ex-governor of the Federal Reserve Board and now governor of the Reserve Bank of Atlanta, told President Roosevelt that the banks can expand credit $40,000,000,000 on the basis of present reserves. Calling attention to the fact that total reserves of member banks are at record high figures and that excess reserves alone are over $2,000,000,000, he said that expansion of credit awaited only return of business confidence. The important factor in return of confidence, he said, is for business men to see a clear chance for profit.

This appeals to the writer as a most sensible view of the situation. Credit forces cannot in themselves initiate business recovery; but they can and surely do facilitate recovery once it is well started. Abundant credit at low rates certainly paves the way for business expansion, when other factors of supply, demand, prices and purchasing power get into reasonable adjustment. To some extent the plethora of investment capital and huge bank reserves exert a pressure for venturing in business enterprise. Capital is getting increasingly restless with 2½ to 3 percent return on government bonds or other high grade, low yielding investments.

There is every reason to expect continuation of bank reserves at high levels and interest rates at low levels for a considerable period. First of all it is the intention of the Administration through the Federal Reserve Board to exercise increasing control over bank credit. The open market operations of the Reserve Banks will very likely be directed from Washington in the future, whereas formerly they were left to the discretion of the District Banks.

Since it is possible to influence greatly the supply of credit through open market purchases or sales of government bonds and other obligations and since it is also possible to exercise direct influence over interest rates through the discount privilege, greater centralization of Reserve System control in Administration hands means a continued pressure for low rates. Only if the government budget should get entirely out of hand, resulting in a flight of capital, would this control prove ineffective and interest rates soar. Since that contingency appears not to be likely in the near future and let us hope, may never happen, it seems reasonable to expect continuance of low interest rates for a fairly protracted period.

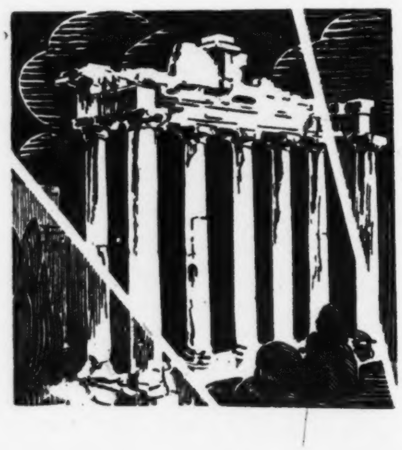
The observations of a financial editor of a metropolitan newspaper are based upon a wide picture of business activity. The Editors are particularly pleased to here present the opinion of one of the important leaders in the newspaper field.

Whatever obstacles stand in the way of a real recovery in business, lack of credit at low rates will not be one of them.

Banks have been subjected to a lot of undeserved criticism for failure to expand credit to the extent that Washington thought they should. Aside from some natural timidity early in 1933 when the banks were still recuperating from the "bank holiday," there is nothing in the past year's experience to show that they have been unwilling to make good loans. True the total loans of the banks have declined during the past year. This was largely due to the paying up of old loans rather than absence of new ones..

Figures compiled by the Association of the Reserve City Bankers covering banks holding 40 percent of the total commercial banking deposits of the country showed $3,877,000,000 of new loans made to business, not including loans on collateral security, during the first half of 1934. Federal Reserve figures indicate that the amount of new loans to business in the final half of 1934 must have exceeded that in the initial six months by a considerable margin, because from July to the end of October there was a steady weekly expansion in total commercial loans outstanding. While this expansion was not sufficient to bring total volume of bank credit outstanding up to the level of 1933, that was because voluntary repayments on old indebtedness increased as Government expenditures got into circulation and business improvement became somewhat more widespread.

While it cannot be said that new commercial loans are yet being made or asked for in anything like normal volume, the reason lies more with the lack of desire on the part of business men to borrow than it does with lack of willingness of the banks to lend—assuming of course that we are talking here about good credit risks and not about loan applications that ought not to be granted under any type of conditions.



The above-mentioned survey showed that banks with deposits representing more than 35 percent of the commercial banking deposits of the country had made available to commercial and industrial credits to the extent of $6,150,000,000 but that loans against these lines of credit were only $1,950,000,000 showing that $4,200,000,000 of the available credit was unused by firms entitled to it. The survey concludes that for all commercial banks probably $8,000,000,000 to $10,000,000,000 of credits made available are unused by industry. Looking at the situation in the light of these figures it is clear that unwillingness of good borrowers to borrow is more the cause of failure of bank credit to expand than is the much publicized unwillingness of banks to lend. Business confidence must be restored before credit expansion can really get underway.

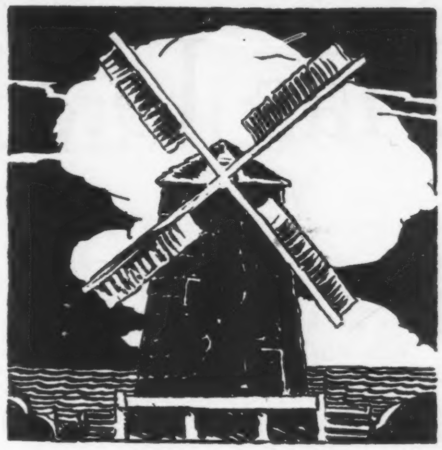
The banks are making greater efforts than ever before to utilize their surplus funds. They want to expand commercial loans which are normally their best earnings assets. They are not satisfied to hold over $2,000,000,000 idle in excess reserves. Their deposits have increased by leaps and bounds since the hoarding movement stopped and since bank deposit insurance went into effect. Even if loans did not expand, business concerns, as well as individuals, have built up large cash deposits on which they can draw for the expansion of business enterprise. Once business sees a clear chance for profit on the use of money, activity will expand and bank loans will be made in evergrowing volume. The problem then will be not how to start credit expansion but how to control it, how to keep it from developing into a great inflation.

The steady rise in this country's gold stocks to over $8,000,000,000 (new American valuation) coupled with the remonetization of silver and the addition of large silver supplies to our monetary base, provides a metallic foundation unequalled in the history of the nation. We hold 37½ per cent of all the monetary gold in the world and more is coming in. From the devaluation of the dollar at the end of January until the end of September $942,000,000 additional gold was imported. In November $112,000,000 more flowed to this country. From January first to the end of November the Federal Reserve Bank of New York estimates a total increase in our monetary gold base of $1,250,000,000. Reasons for this inflow are primarily that we fixed the value of the dollar at a lower gold point than its natural position warranted in view of our favorable trade balance and balance of international payments. By thus arbitrarily undervaluing the dollar we have set gold points that draw gold from Europe.

The obvious necessity now is to stabilize currency in relation to foreign currencies on a basis that will establish some sort of equilibrium. We do not need more gold. We have piled up a supply that can serve as a base of almost unlimited expansion of credit and currency. Indeed it would be to our advantage if some of our excess supply of gold could be redistributed to nations who need it badly as a support for their currencies. This, however, is a development which we may look to only when final stabilization of world currencies is agreed upon between the nations. Meanwhile the important point to our domestic economy is the potentiality for credit expansion provided by the enormous importations of gold.

Curiously enough the Roosevelt Administration, in all of its anxiety to force an expansion of bank credit, has pursued policies inimicable to such expansion. By juggling the dollar and manipulating silver it created a lack of confidence in monetary stability which no doubt has had some retarding effect on expansion of private credit. At the same time threats of radical legislation, growing government deficits and fears of ultimate skyrocketing of taxes, has made business hesitant about making forward commitments and borrowing money for that purpose.

Recently, however, there has been a distinct change in the trend of thought in high Administration circles. For example it is now known that Washington desires stability of the currency; and conversations have been going on look-



ing toward some sort of stabilization agreement with London. Also, despite a somewhat radical Congress, it is believed Administration influence will be exerted to check the wilder forms of legislation. While budget balancing is still a matter of more or less distant future, there is hope now that we may get through this period without a fright concerning the government's credit that would lead to a more virulent type of inflation. If that happens, credit expansion—or, if it goes to extremes, credit inflation—almost surely will occur. The pressure of idle funds is very great. If labor legislation can be held within bounds and business sees chances to increase profits by increased use of money, the great plethora of credit will exert a powerful force for recovery.

Some authorities believe that credit expansion will start on a large scale in 1935. The writer is inclined to believe that if it does start in 1935 it will come toward the end of the year instead of toward the beginning. It will be a slow acting form of inflation, as distinguished from a "fear inflation" which is characterized by violent monetary depreciation. In the early stages it will probably be no different from a normal expansion of credit which occurs in every business recovery. In the later stages the question will arise as to how it can be controlled. Federal Reserve experts are at work on this problem of control. There is distinct possibility that legislation will be passed establishing a new basis of reserves for the banks. Instead of reserves amounting to a given percentage of deposit liabilities there may be reserve requirements based on the velocity of turnover of deposits. In other words the required reserve would increase as rapidity of turnover increased and would decline as rapidity of turnover declined. Some method of this type would appear to offer the best, if not the only, effective brake in case of an inflationary credit boom.

Has U.S.A. reached limit

"What is America's capacity to produce under existing conditions of capitalism on the basis of full utilization of effective plant and full employment of available labor?"

By MAURICE LEVEN, of

Any general statement of America's capacity to produce is no more than an abstraction. It acquires reality only when it is related to a definite set of conditions. Before we can intelligently deal with the question of productive capacity it is necessary to know, among other things, what it is that we want to produce.

Our productive capacity in terms of steel or automobiles or radios is entirely different from that in terms of medical care or domestic service. It is easy enough to state how many radios or how many pairs of shoes we can produce but it is very difficult to say how much we can produce in general, unless we know beforehand the proportions of the various goods and services that we desire.

More concretely, should we find a new way of laying cement highways which is 100 times as effective as the method now employed, it would increase our productive capacity very little if instead of highways we wanted more and better homes.

Production is not carried on in a vacuum. It is subject to all kinds of frictions and limitations. The limitations are not only physical and technological but economic, social, and political as well. In computing productive capacity, which of the various limiting factors should we exclude from our setup? If we accept them all as part of the situation we are faced with the rather unsatisfactory answer that our capacity to produce is exactly what we produce.

Our capacity in 1929 was what we then produced and our present capacity is what we now produce, for obviously if we could produce more we would. In short, depression and all the attendant psychoses, adjustments, and maladjustments are as real in limiting capacity as lack of physical facilities. Evidently such a concept of capacity, logical as it is, does not get us anywhere. What we are really interested in is our capacity to produce with certain limitations removed.

Theoretically, therefore, innumerable answers are possible, according to the factors which we include or exclude. We may, for instance, be interested in knowing what our technological capacity would be if there were no interference arising from selfish interests or ignorance on the part of capitalists, politicians, bankers, labor leaders, economists, and social reformers.

Another possible query is, what America's productive capacity would be if physical technology were allowed to operate under the limitations of Communism, Fascism, Hitlerism, or any modification thereof. In each case, of course, definite assumptions would have to be made regarding the proportions of the different commodities and services to be desired, the proportion of the people in the different age and sex groups to be engaged in production, and the hours of work.

Still another way of asking the question would be: WHAT IS AMERICA'S CAPACITY TO PRODUCE UNDER EXISTING CONDITIONS OF CAPITALISM ON THE BASIS OF FULL UTILIZATION OF EFFECTIVE PLANT AND FULL EMPLOYMENT OF AVAILABLE LABOR?

This question does not contemplate any reorganization of industry other than that which would be effected by a more complete utilization of facilities. Neither does it anticipate a change in the habits and customs of the people or in the conditions of work with respect to hours, shifts, and seasonal operation.

It is essentially with the last question that the Brookings Institution was concerned in its initial study of America's Capacity to Produce. The choice of this approach does not preclude investigations from any other angle. In fact we hope that the study of capacity will be pursued further since our own inquiry is only preliminary and does not tell all we should like to know about the productive capacity of the United States.

To repeat then, our study was not of potential capacity under ideal conditions but of practical capacity under conditions as they existed during the first three decades of the century. Our aim was to measure the capacity of the existing capitalistic economy by its own standards.

What we found even from this restricted viewpoint was not wholly gratifying. In 1929, which by most measures was perhaps the most productive year the country has known, we utilized only about 80 per cent of the practical capacity within the terms of our definition. That is, if in that year we had manned the available idle plant to the extent of absorbing all unemployed and under-employed labor, without disturbing the customary hours of work and shifts prevailing in the different industries, we could have made available 25 per cent more goods and services than we actually produced.

This calculation assumes that the volume of the different goods and services to be produced would be governed by the existing distribution of plant capacity, irrespective of the social need for additional production in particular fields of industry. For example, we could have produced about 18 per cent more automobiles and 120 per cent more locomotives. Yet it is probable that the need for either was not so great as that for other goods which from the social viewpoint were under-supplied.

It is possible that for a different proportioning of goods and services the productive capacity in 1929 was not as great as our estimate would indicate or that it was much greater. The fact, however, remains that roughly 20 per cent of our productive energies and facilities went to waste, not to mention, of course, the product that was wasted af-

in capacity to consume?

"It is embarrassing to have to demonstrate the obvious. But it is unfortunately true that under the strain of depression many of us have lost perspective on economic facts."

Brookings Institution

ter it was produced.

Even when we lean backwards in being conservative and reduce the estimate of unused capacity in 1929 from 20 to 15 per cent we find that about 19 per cent more product could have been placed at the disposal of the people of the United States. The full meaning of this fact is not disclosed by a mere percentage but it assumes considerable stature when translated into more familiar units. It is estimated that the national income from productive activities in 1929 was approximately 80 billion dollars. Nineteen per cent of that amounts to 15 billions. That is, the national product could have been increased by at least 15 billion dollars, or by enough to double the incomes of approximately 14½ million families at the bottom of the scale. This amount would have sufficed to add $545 to the income of every family of two or more persons. It was nearly twice the entire income of the farm population.

We hear a great deal about over-production. From the standpoint of those who would advocate restriction of output as a panacea for the depression it would seem that the failure to produce up to capacity in 1929 was a great boon to the American people and that we should feel gratified by our success in wasting about one-fifth of our productive energy.

It is embarrassing to have to demonstrate the obvious. But it is unfortunately true that under the strain of depression many of us have lost perspective with respect to very simple economic facts. The term "over-production," which in the thinking of economists originally referred to unbalanced production relative to markets, has in the popular mind been transformed into a dangerous doctrine which has no basis in fact.

It has given rise to a superficial conception of "abundance economics" and to the notion that we have at last reached the physical limit of our capacity to consume: that in order to bring our economic system into balance we must by all means restrict production. Just how the idea of limited capacity to buy became replaced by the notion of limited capacity to consume is incomprehensible. However, the notion is firmly entrenched in the minds of different classes of the population, and unfortunately has for a long time been a basis of the recovery program of the administration.

A member of the cabinet with liberal tendencies was literally surprised when shown that the American people could have consumed in 1929 a great deal more than they did and that the depression was not necessarily caused by inability of the population to consume the products of industry.

The existence of poverty, at the height of prosperity, was not a secret. Anybody who was familiar with life in our large cities and anybody who traveled in the South and observed the living conditions of a large part of the population there could have seen it. Yet, such is the power of easy generalizations and catchy phrases during a crisis that even those who from personal experience ought to know better are ready to support action based on a wholly erroneous analysis of production and consumption.

In 1929, 50 per cent of all the families with two or more persons had less than $1,700 of income. Shall we say that these families would not have been able to consume more than they did? More than 20 per cent of the families had less than $1,000 and a not inconsiderably number, more than 2 million, had less than $500.

Nobody will assert that the goods and services which could have been purchased in 1929 with an income of $5,000 were beyond the capacity of the average American family to consume. About 92 per cent of all the families of two or more persons had less than this amount to spend in that year.

Perhaps one way of approximating America's capacity to consume is to see what some families have succeeded in consuming when they were not hampered by financial considerations. To be conservative we shall not take the richest families but those with moderately high incomes. We estimate that the 195,000 families with incomes between 20 and 100 thousand dollars spent on the average $22,000 for consumption goods in 1929.

If all the families in the United States consumed at the same rate as these 195,000 families, their total consumption would have amounted to more than 600 billion dollars, or about eight times the actual production in 1929. Even if every family were to spend at the rate of only $5,000 or about $1,250 per person the required production of consumption goods and services in 1929 would have come to more than 150 billions, or twice the actual production.

It is hardly necessary to cite additional figures to make it clear that the American people had by no means reached the limit of their capacity to consume. As long as millions of families and individuals live in a state of poverty it is not relevant to talk about over-production.

In general, it is safe to say that production can never outrun consumption capacity, provided all producers are allowed to give free play to their consumptive desires. Irrespective of increasing productivity through advances in technology, there will always be a demand for goods and services which are not the result of mass production.

The more prosperous we are the greater our demand (*Cont. on page* 37)

What is the outlook for

At home: by ROY COLLITON, Director, Credit Interchange Bureaus, N. A. C. M.

Unusually trying conditions create the urge for drastic actions. The past few years clearly illustrate this.

Every problem encountered in business and government has been the occasion for the introduction of recommendations of more or less drastic nature. Being a part of almost every business transaction, problems of credit have not been overlooked and many new theories and ideas for the handling of credit have been advanced.

It is generally accepted that credit has too often been mishandled or improperly controlled. Whether unwise credit was wholly responsible for this thing called the Depression, or whether it was but a contributing factor to a generally disorganized economic system, is of no particular importance. The fact is that credit was involved; that certain weaknesses were discovered, and that efforts will be made to correct these weaknesses.

Mercantile credit has made a better record for itself during the past few years than other types of credit; yet there is much criticism of it. Most of this criticism is, however, incorrect in that complaint is made of the actual credits, themselves, whereas the complaint should be against the method of their establishment.

A soundly established credit of any amount, large or small, is a constructive and helpful factor; an unsoundly established credit, quite the contrary.

With all but a very small fraction of the business of the country being done on a credit basis and on a basis where in comparison with other types of credit, losses have been infinitesimally small, it is apparent that there is nothing seriously wrong with the principles of mercantile credit. There have been serious losses but, considering the amount of sound credit as against the unsound which has created them, are not these losses chargeable to the method of handling credit instead of the principle? To be more specific, are not the losses chargeable to the method of investigating credit?

Mercantile credit today is in excellent shape. Unless there should be some unlooked for developments of a serious nature which will entirely upset the present trend of business affairs, it should continue on its present sound basis for some time to come. Present methods of purchasing in comparatively small quantities for immediate requirements will of themselves assure that. The next severe test of mercantile credit will come when business has reached that point of improvement where there is a general trend toward expansion; when purchases and consequently credit will be made in larger amounts with greater frequency and in anticipation of future requirements.

When this next severe test comes, it will not be a test of the principle of credit; it will be a test of the method of credit. However, an investigation of the method should not be delayed until a future date. Even though the present percentage of loss is comparatively small, there is need even now for a careful investigation of credit methods because any unnecessary or avoidable credit loss is a direct deduction from net profits—and net profits of any amount will not come easy in the next few years.

Such an investigation, however, should not be confined strictly to the possibility of further reducing losses. If faulty credit methods create a dollar of bad debt loss, it is equally certain that they result in the loss of another dollar's worth of what would be profitable and satisfactory business. It is frequently and correctly stated that the credit manager can and should be the best salesman in his organization. And looking to net profits, that makes it even more important that his procedure for the investigation of a credit be as nearly perfect as possible.

It has been a common practice in the past to lay the responsibility for bad debt losses on the credit manager, charging him with lack of ability, judgment, experience, etc. Nothing could be further from the truth. The true explanation of bad debt losses is to be found in the statement that "Poor information, not poor judgment, causes most credit losses."

Until a comparatively short time ago the rating book and the financial statement were the "tools of his trade" for the credit executive. The first has practically passed into the discard. It has become a medium for checking names and addresses, and developing sales leads. The financial statement is being rapidly relegated to a position of secondary importance. First place is being given to that type of data which has proven itself to be the acid test of credit responsibility—ledger experience information. That development has been the principal contributiong factor to the soundness of present-day mercantile credit, as is indicated by the fact that those other types of credit predicated in the main on presumed-to-be financial statement values have not stood the test nearly as well.

The effective development and use of ledger experience information and use of ledger experience information is still in the primary stages. The good that has been accomplished through its use to date is but a fraction of what it will do when it is made really effective through better handling and more general use. The real problem confronting the credit fraternity today is—how shall we exchange ledger experience information to get the best results with the minimum of effort and expense? The answer supplied to that question will largely determine the amount and percentage of future losses in bad debts and business.

It is fair to say that the chief trouble with ledger experience today is that there are too many ways of "trying" to get it—"trying" to get it and not getting it; certainly not getting it completely, dependably, and accurately. With the direct inquiry method generally discredited, one of the dangerous trends at the present time is that which anticipates the splitting up of the ledger experience information of the country by groups, industries, or markets, without any definite plan for an exchange of information between these various divisions. If it is practical and effective for one industry, or one market, to confine its exchange of ledger experience entirely within itself, then it is proper for all other industries, or markets, to do likewise. The ultimate result of such a procedure is perfectly obvious to all.

There is a need for a careful appraisal of all of the suggested(*Cont. on page* 33)

credit in the new year?

Abroad: by K. H. CAMPBELL, Service Manager, Foreign Credit Interchange Bureau, N.A.C.M.

American manufacturers shipping to foreign markets are feeling somewhat more assured about the general world situation and are confident that the improved outlook that has developed during the year of 1934 will continue in 1935. Foreign credit, collection and exchange conditions have shown a slight improvement during the past year in several world markets and all exporters are hopeful that the improvement shown will continue.

During the past year there has been a great deal of activity on the part of American exporters, commercial banks and various governmental agencies in an effort to rebuild American foreign trade. These efforts are now showing signs of fruition and there seems to be a decided possibility for a continued up-swing in the foreign trade of the United States within the next year.

Figures recently released by the Department of Commerce show a net gain in our dollar total of exports, for the first ten months of 1934, of 36% over the corresponding period of 1933. Our exports for October 1934 were the largest in value for any month since 1931. There have been large increases in our sales abroad in electrical apparatus, automobiles and iron, steel and copper products. This large dollar volume of our exports is partly a result of the rise in the American price level since early 1933.

In spite of the campaign of those students of foreign trade who are advocating the admittance of a larger volume of imports if American manufacturers expect to maintain their export markets and expand them on a healthy and stable basis, our merchandise export balance for the past year has continued to increase. There is, however, a decided tendency on the part of American manufacturers engaged in the export business to recognize the value of imports, thus giving our foreign customers an opportunity to pay for their purchases from us by sales to us.

Our government has recognized these basic principles also, and the efforts that are now being made to work out reciprocal trade treaties with other nations are, on the whole, receiving the approval of the American foreign trade fraternity.

The past year has shown a tendency toward reduction of the various foreign exchange restrictions that have been hampering international trade for the past three or four years. The foreign exchange problem is, however, still the most important one the American manufacturer engaged in the export business is faced with at the moment. Thus, the slightest indication of improvement of exchange conditions in certain world markets is heartily welcome.

While many American manufacturers still have funds tied-up in several foreign countries for shipments made in 1930-31-32, there has been some improvement in the current situation in a few markets and exchange is now coming forward without a great deal of delay. There are, however, several markets that have registered no improvement during the past year, and to which the American manufacturer is still selling on a "cash New York" basis.

The establishment of "free markets" in some countries has enabled the foreign buyer to buy dollars at a premium rate, which has given him the opportunity to remit to the American exporter.

The inability to effect exchange transfer should not, however, mitigate against the credit responsibility and integrity of the average foreign buyer. In many of the countries where, due to exchange restrictions, it is impossible for the dollars to be forwarded to New York, the foreign buyer has paid for merchandise imported in local currency, in many countries to his legal discharge; thus, maintaining his personal credit integrity.

The basic credit situation, insofar as it applies to the regular run of credit risks, is apparently more sound than in 1929. For the most part, foreign buyers abroad of American merchandise have proved by their paying habits that their integrity and character are above reproach and that they are worthy to enjoy the credit confidence of American manufacturers.

At the various meetings of the Foreign Credit Interchange Bureau's monthly Round-Table Conferences on foreign credit, collection and exchange problems held in New York, those attending have pointed out many times that the individual credit risk of the foreign buyer is causing them little or no worry today, their main difficulty being one of exchange transfer. These meetings, giving those who attend an opportunity to exchange their experiences and impressions, are serving to instill these ideas in the mind of the foreign credit executive.

Thus, in determining the foreign credit policy for 1935, the foreign credit executive must continue to differentiate between customer credit and country credit. In discussing foreign credits with members of the Foreign Credit Interchange Bureau, the writer has been continually impressed by the very infinitesimal foreign credit losses that these companies suffer. Insofar as he has been able to judge by personal contact, the average in many cases is less than one half of one percent. This is adequate testimony to the ability of the American manufacturer to safely do an export business from the credit viewpoint, provided they have adequate information upon which to judge the desirability of the foreign risk.

As it is very difficult to get financial statements from foreign customers or to learn a great deal about the financial set-up of their business, foreign credits are judged in a large measure, by investigating the paying habits of the prospective customer with other American manufacturers. It was for the purpose of making this investigation uniform and complete that the Foreign Credit Interchange Bureau of the National Association of Credit Men was organized in 1919 and it has continued to function effectively under the supervision of a Committee of its own members since that date.

During the past year the Foreign Department and the Foreign Credit Interchange Bureau of the Association have inaugurated a Special Report service for members in certain markets of the world where no ledger information is available. Facilities have also been arranged for the forwarding of claims for collection in European countries.

Essentially an (*Cont. on page* 36)

Economic planning and monetary stability true governmental functions

By F. CYRIL JAMES, Prof. of Economics,
Wharton School of Finance, Univ. of Penn.

Basically, the New Deal indicates the return of the United States, in part at least, to a very ancient philosophy of government. That the national government should regulate and control business activity was a principle that nobody ventured to doubt in ancient Egypt or under the Roman Emperors, while Queen Elizabeth displayed no enthusiasm over the few radicals who suggested that business might get along more profitably if it were less restrained by governmental red-tape!

Unless we realize that, for thousands of years, governments have performed the tasks that the present administration of the United States is assuming, we are apt to get a distorted picture of the existing situation. Codes of fair competition existed for every industry in the Middle Ages; limitation of profits was familiar to every Roman in the time of Justinian; and the subsidizing of particular industries has been practiced by almost every nation known to history.

It is the free capitalism of the nineteenth century that astounds us by its novelty, when we begin to study history. For a brief period of some two centuries, a few million people living in Western Europe and North America operated both their governments and their business enterprises upon the basis of a *laissez-faire* philosophy. Government should leave business alone. Every man should be free to seek his own maximum profit in the best way that he saw fit. The ideal of the age was to buy cheap, and sell dear.

To the Incas of Peru or the Emperors of China, such a chaotic attitude of mind would have appeared incredible, yet our grandfathers succeeded in producing, by the application of their philosophy, a greater quantity of material wealth than had ever existed in the world before. We need not elaborate on that theme, since the latter nineteenth century is clamorous with the praise of increasing blast furnaces, expanding railroads, and growing factories.

Indeed, if these were all the benefit that capitalism had to show, we might be willing to allow it to die without a tear since, in these days of depression, we think more about its slums, congested with unemployed men, its ugly slag heaps, and its utter failure to make life rich and secure for millions of its worshipers. Probably we are still too near to the age of free capitalism to evaluate accurately the net balance of its material gains and losses, but we can still single out one outstanding contribution that it has made to human history.

The philosophy of capitalism, and the generalized use of money, have given man a new freedom. No longer is the serf tied to the land, the peasant to his overlord. The impersonality of the monetary relationship enables a man to do as he pleases, within the limits of his income, so that each of the infinite variety of human tastes can be satisfied by its owner.

Once this fact is realized, the central problem of the present age becomes plain. We wish to utilize our vast productive mechanism in such a way that we may produce enough to offer every individual a reasonably high standard of living, and we want to do it in such a way that human liberty will be restricted as little as possible.

The contemporary outcry against "regimentation" is an expression of this ideal, but negative obstructionism is both useless and dangerous. We cannot sit still, with ten million people unemployed, because we dislike receiving orders; we cannot even go back to "the good old days," because somehow the profit motive has lost a little of its force in the modern world. It is less ruthless, and therefore, less efficient.

Today we have no alternative but to go forward. It is obvious to every student of the problem that government is going to play an increasingly active role in economic activity, in order to lessen the fluctuations and crises of capitalistic business organization. Unless we wish to emulate the futility of King Canute who ordered the tide to go out in order that he could walk dry-shod on the beach, we must turn our attention to finding out this increasing governmental activity can be reconciled with a maximum of individual liberty. How can we combine the advantages of Incaic paternalism and nineteenth century capitalism?

Fundamentally, it seems to me, the government should concentrate on the performance of those functions that it alone is equipped to undertake, and should leave to others those things that are efficiently done at present under the spur of individual initiative. That narrows the field somewhat. By that criterion, there is no reason why the government should undertake the ownership and operation of individual factories or stores.

Such enterprises can be efficiently operated at present, and they have been efficiently operated in the past. Perhaps, if the railroads prove unable to

manage their own affairs efficiently, governmental operation may be essential. Perhaps, in the case of a vast project, such as that administered by the Tennessee Valley Authority, it may not be possible to find a large enough private enterprise to assume the responsibility. But in the case of the average business enterprise, it is amply apparent that detailed governmental administration would offer no improvement at all over the management of the present owners and officers.

Two central groups of functions must, however, be taken over by the government, since there is no other institution in the United States capable of performing them. In the first place, the federal government must assume the responsibility for planning and coordinating economic activity; in the second place, it is responsible for the soundness and stability of the monetary system. Neither of these responsibilities can be shirked if the New Deal is to be successful in the long run, and no problems of transient detail can be permitted to obscure their basic importance in regard to business prosperity. Let us look at each of these tasks briefly, and at the problems that surround them.

Much has been written about national planning, and the precise definitions of that ideal are almost as numerous as the people who have discussed it. At the one extreme are those who desire a regimentation of national life as rigid as that found in Russia, while at the other are some people who would place the government in the position of the original Interstate Commerce Commission—an authority competent to advise but totally unable to enfore the least important of its decisions.

As usual, the truth is to be found somewhere in the middle. Few people today will deny the desirability of legislation prohibiting the employment of young children, and providing for safeguards that diminish the risk of accident in hazardous occupations. Most people will agree that governmental regulation of hours of labor is beneficial, and an increasing number is coming to think that the community, by some form of social insurance, should attempt to make life bearable for those who are impoverished through no fault of their own. When we reach that stage we have gone a long way toward recognizing the full social responsibilities of government.

In regard to the operation of business enterprise, in somewhat similar fashion, we have recognized the necessity for prohibiting such things as secret rebates by railroads, and misleading advertisements about foods and drugs, while every new tariff discussion provides ample evidence that the majority of business men hold the government responsible for protecting the profits of their particular industries.

This, however, is not enough. Tariffs, and other measures of protection and assistance to special industries, must be worked out on the basis of the best interests of the nation as a whole —not governed by the relative clamour of different groups. Moreover, the whole problem of foreign trade, and the export of capital, needs to be studied in the light of their influence upon the general wealth and prosperity of the country.

Today we are making progress in that direction, both through the special advisors to the President and through the various relief agencies, but we are still a long way from the goal towards which we are moving. Even though we may sometimes be amazed at the distance we have traveled since 1932, it must be remembered that many years will be required to build up an efficient governmental organization to handle these tasks adequately and efficiently.

But the functions of government go beyond the planning of foreign trade and the assistance of distressed industries. It is necessary to provide a situation in which business enterprises can operate safely and profitably—to develop, in other words, codes of fair competition such as those produced through the activities of the NRA.

Probably the Blue Eagle has been the most abused bird in the new aviary, and there can be no doubt that many unsatisfactory situations were created through the phenomenally rapid growth of the NRA. But, basically, the idea is sound and it is more useful to attempt to improve the existing system than to rail against the whole idea. By organizing each industry, and allowing the representatives of that industry to decide the conditions under which work should be carried on, it is possible to develop reasonable and appropriate rules—and, so long as it keeps within the scope of these rules, the individual enterprise is free to operate as it sees fit.

The Federal Reserve System IS a central banking mechanism that has been functioning for twenty years. The only important issue to be decided is whether the central bank shall be an independent institution or a subdivision of the Treasury Department."

Properly applied, and intelligently enforced, that ideal offers the possibility of a kind of national planning that will facilitate economic activity and preserve a maximum of individual liberty.

When we return to the monetary function, the precise nature of the government's task should be even clearer, since, even under capitalism the responsibility for monetary soundness was fully recognized. Since modern business depends upon a stable monetary unit as the foundation of all accounts and contracts, and upon an efficient medium of exchange to facilitate the production of goods, the monetary functions of government are of paramount importance. Even in the hands of an omniscient and omnipotent authority, economic planning would be difficult if there were no sound monetary system—and in present circumstances, where the government of the United States is attempting the task with no experience and no trained personnel, an unsound monetary system presages certain disaster.

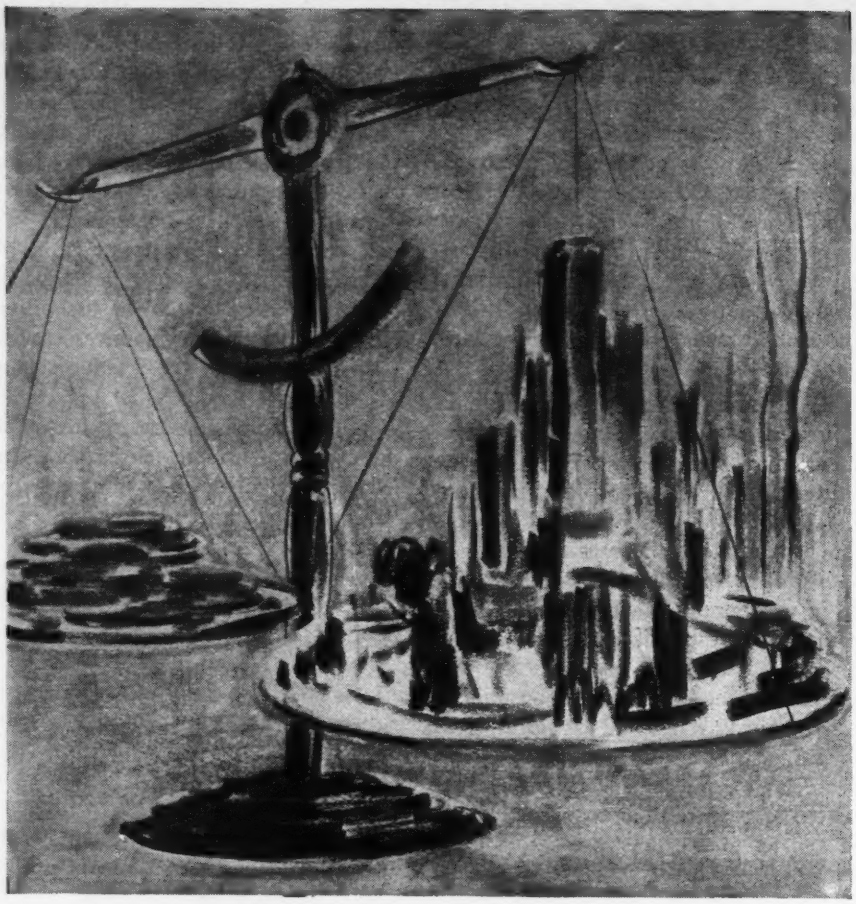
But monetary soundness is not a problem concerned solely with the weight and fineness of the coinage. We are no longer in the days of George Washington, although a great deal of contemporary monetary discussion is filled with the ideas that crystallized at that epoch! Today the checks drawn against demand deposits at commercial banks constitute the most important form of medium of payments. Almost all of our payments are made by check, so that coins and notes are only used for small change or for specialized transactions in which legal requirements have not yet caught up with current business practices.

The problem of the value of the dollar is a problem of controlling the aggregate volume of demand deposits in the United States, and of regulating the way in which commercial banks create additional deposits by their lending and discounting. The provision of an efficient medium of exchange depends upon

the structure and efficiency of the commercial banking system.

Although, in order to facilitate international economic intercourse and to limit somewhat the harm that may follow from unsound monetary policy, I feel that the United States should immediately return to the gold bullion standard; with a dollar of invariable weight and fineness, it is obvious that, even under such a system, a high degree of monetary management is called for. In the modern world there is no such thing as a purely automatic monetary standard and, if we wish to mitigate the fluctuations in business and to prevent another breakdown such as that which occurred between 1931 and 1933, monetary management must be both wise and efficient.

Obviously such a need calls for several improvements in our financial structure. In the first place, steps must be taken to strengthen commercial banks throughout the country and to improve the efficiency of their operation. That alone is a problem of considerable difficulty, which cannot be discussed in detail within the limits of this paper. Secondly, all banks that receive demand deposits subject to check must be required to become members of the Federal Reserve System, and to submit to the requirements and policies imposed by the Federal Reserve Board in the interests of monetary soundness. About each of these developments, little argument is possible.



"The problem of the value of the dollar is the problem of the structure and efficiency of the commercial banking system."

Even when these conditions are realized, however, it is still necessary to decide who shall be responsible for the management of the American monetary system. Obviously that responsibility should be concentrated in a single institution. The present situation, under which power is divided between the Treasury and the Federal Reserve Board is utterly unsound and inefficient—but in which of the two should the power be concentrated? Much of the recent propaganda for the creation of a central bank seems to rest upon the assumption that we have no central bank at present. Such an assumption, of course, is unfounded: the Federal Reserve System is a central banking mechanism that has been functioning for twenty years, and the only important issue to be decided by the present controversy is whether the central bank shall be an independent institution or a subdivision of the Treasury Department.

No dogmatic answer can be given to that question since the legal relationship varies from one country to another and is governed by differences of tradition, habits and environment. But whether we study England, whose central bank is a private corporation completely independent of the government from the legal point of view, or Sweden, whose central bank is managed by seven directors appointed by the government, two inescapable conclusions emerge. In the first place, broad questions of monetary policy are invested with such outstanding importance, from every angle of the national life, that no government can afford to dissociate itself from them and leave the decision entirely in the hands of an independent institution.

If such a situation should ever arise, the central bank would actually be governing the country. But, in the second place, once the decision has been reached on broad questions of policy, the evidence clearly indicates that the execution of the policy should be entrusted to an institution that is independent enough to be free from political influence. Unfortunately, the Federal Reserve Board itself has not been free from political pressure since the administration of President Harding, and it is probably under greater pressure at the present time than at any other period of its existence. Even so, however, the Reserve Board is undoubtedly a better monetary authority than any subordinate of the Secretary of the Treasury could possibly be, and the appropriate line of development is to improve and strengthen the Reserve System rather than to scrap it in childish enthusiasm for the novelty of a new institution.

One thing remains to be emphasized. The nucleus of the problem of the relationship of the Treasury to the central bank is closely allied to questions of fiscal policy. When governmental expenditures exceed current revenues, treasuries are always anxious to make use of the banking system for the purpose of financing the deficit cheaply. Governmental pressure upon the Reserve System during the recent past has arisen out of such a situation. But even though we may approve many aspects of the new deal, and appreciate the new relationship of business to government that it envisages, it must be clearly emphasized that budgetary deficits are dangerous.

Even though it may be impossible to balance the budget (*Cont. on page* 36)

by HENRY H. HEIMANN

Executive Manager, N.A.C.M.

Sound money:

A preface to the sound money meetings scheduled by many local credit associations within the next several weeks.

What is sound money? That is a question the business world is asking. Theoretically, it can easily be defined. Practically, "sound money" was generally existent during the years before the war. But in the post-war period sound money floundered on the shoals of unbalanced budgets, tariff barriers, nationalistic policies, and opportunistic monetary standards.

The money question is one that cannot be wholly discussed from all of its angles in one volume, let alone a condensed article. It is to be considered generally by our credit associations in their *sound money* programs which are to be held this month. As a prelude to this drive for sound money, let us consider the subject of money.

Money may be defined as anything having use as a medium of exchange or a measure of value. Money, however, is more than that in modern civilization. It is a store of value. Because it is a store of value, it has a dual function which, in disturbed times, proves very deflationary.

When people begin hoarding money and taking it out of circulation, they are not taking possession of the money because of its being a medium of exchange or measure of value. They are seeking it because of its store of value. Its store of value, however, is largely due to its dependability as a medium of exchange or measure of value. The fact that money is a store of value, therefore makes its task of serving as a medium of exchange or measure of value more difficult. In disturbed times or major depressions this store of value attribute distorts money as a medium of exchange or measure of value.

When is money sound? The word "sound" means safe, firm, secure, trustworthy, healthy, not deranged or feeble. Can it be said that any money is sound when the nation back of the money is financially sick, or, at best, convalescing? Hardly!

We know that a balanced budget is the very heart of a sound money body. If we apply that test to the nations of the world, how many nations have inherently sound money? In practice, we know that test is not ruthlessly applied. We appraise the future and, if we feel a balanced budget is to be accomplished within a few years and are certain every effort is being made in that direction, we discount the present. For practical purposes, the money backed by a nation that is sincerely working and progressing toward a balanced budget is pronounced sound.

On the other hand, we may have a money that has a large backing of gold but find the nation to be embarked upon a spending spree that inevitably will drive it to fiat money. We discount that money, brand it unsound and seek to convert it into tangible things before its body is completely destroyed by the malignant heart-disease of unbalanced budgets. There are other factors, of course, that are to be taken into account in the appraisal of sound money. However, we can now define sound money.

Sound money is a trustworthy medium of exchange, a safe measure and store of value.

In order to have sound money there must first of all be a firm foundation for the circulating medium. For centuries gold served this purpose. The reasons for its selection are well known. Suffice to say that through the years no other medium or metal proved as successful. Even in the post-war period, when it is claimed gold as a foundation for money failed, it really wasn't gold that failed. Human excesses in credit, extravagances, war, broke down the standard.

It may as well be an accepted, incontrovertible fact that no foundation of a circulating medium, be it gold, silver, commodities or what-not, can stand the strain of a world war. It is the war and its aftermath, not the gold standard, that brought disaster.

We can recover, however, but we must realize that sound money will be more quickly attained through living within income by nations than in any other manner. That is fundamental.

With the exception of Finland, England and a few (*Continued on page* 36)

Sound money is the solid bedrock upon which business stability rests.

"New Deal" legislation

An outline of laws passed by the 73rd Congress give an indication of what-may-be-what during the session just started.

This excerpt reprinted from "An Outline of New Deal Legislation" by permission of the McGraw-Hill Publishing Co., New York.

By HOWARD S. PIQUET, Asst. Professor of Economics, School of Commerce, Accounts and Finance, New York U.

No one can deny that the Seventy-third Congress was very prolific. The eighteen New Deal laws of the special session, in the amoeba-like atmosphere of the regular session, were suddenly transformed into over fifty. These may be grouped under eleven more or less functional headings.

I. Industrial Control and Public Works

Of all the legislation enacted in recent times none has been charged with greater possibilities, for both good and evil, than the *National Industrial Recovery Act*.

Capitalism rests upon the foundation stones of individualism, laissez faire, and the profit motive. It was because this Act indicated a possible undermining of that foundation that many liberals shouted their praise and many conservative business men at first whispered, and later cried, their fears. Some called it Socialism; others called it Fascism. Today, 14 months later, it appears, at least as administered, to have been largely a Magna Charta for big business to do many of those things which since 1890 have been prohibited by the antitrust laws. This is quite clearly indicated by the fact that many who in the early days were vigorous critics of the NIRA are now among the staunchest defenders of the NRA.

Yet, the Act may still be made into either Socialism or Fascism, for it constitutes a broad grant of discretionary power to the President. If the political winds should blow conservative, it is fairly certain that the NRA will become conservative. If the country should go radical, so also will go the NRA. The student will do well to keep clearly in mind the fundamental distinction between the NIRA, which is the grant of power, and the NRA, which is the administrative body set up by the President under the Act. No changes were made in the Act by the regular session of the Seventy-third Congress. The licensing power of the President automatically expired, under the terms of section 4, on June 16, 1934.

The Act itself consists of three titles, the first two of which merit consideration.

Title I, which is temporary (to expire on June 16, 1935), is the Industrial Recovery Act proper. It authorizes the President to establish an industrial planning and research agency and to approve codes of fair competition submitted to him by industrial or trade groups. Once approved, such a code becomes the standard of fair competition for the group and violations of its terms are punishable.

If any industry or trade fails to submit a code, the President is authorized to prescribe a code for that group. Pending the adoption or prescription of a code, individual units in any industry are permitted to enter into agreements of their own which are also to be approved by the President. All codes and agreements must contain clauses granting employees the right to bargain collectively, outlawing the notorious "yellow-dog" contracts, and specifying maximum hours of labor, minimum rates of pay, and other conditions of employment approved or specified by the President. Much difficulty has arisen, under the now famous section 7(a), in defining collective bargaining and in the administrative implementation of the wages and hours provisions of the codes.

Title II of the National Industrial Recovery Act is the *Public Works Act*. Under it the Administrator of Public Works (Secretary of the Interior Ickes), who is appointed by the President, is to prepare a comprehensive program of public works, including the conservation of natural resources, the transmission of electrical energy, and construction of public highways. To cover the cost of such a vast undertaking $3,300,000,000 is appropriated which is to be raised by new temporary taxes (which were automatically terminated upon the repeal of the Eighteenth Amendment) and bond issues under the Second Liberty Loan Act.

It is specified that all contracts made under this law must guarantee: (1) that no convict labor will be employed, (2) that the work week, in so far as practicable, will be limited to 30 hours, (3) that reasonable wages will be paid, and (4) that, wherever practicable and consistent with sound economy and public advantage, the maximum of human labor will be used in lieu of machinery.

Considerable delay has been encountered in getting public works funds into circulation. These delays, together with the fact that a three-billion-dollar program is insufficiently large to stimulate the capital goods industries, have aroused considerable public criticism. On the other hand, there are those who denounce the program on the ground that it endangers the federal budget.

II. Agricultural Control and Agrarian Relief

That part of the New Deal legislation which relates to agricultural control and agrarian relief is a veritable tangle of good intentions, which have been bitterly criticized on the grounds that we are trying to "starve ourselves rich" by limiting production. The defenders rally around the contention that a restoration of money values is necessary to a balanced economy.

The *Agricultural Adjustment Act* (Title I of the Emergency Farm Relief Act of 1933) has as its objective the bringing into closer harmony the abnormally low prices of agricultural commodities and other prices by restricting agricultural output. The Secretary of Agriculture is directed to buy up all the cotton held by other governmental agencies and if necessary he may borrow from the Reconstruction Finance Corporation for the purpose.

The Secretary is then to enter into option contracts with producers of cotton, agreeing to sell to any such producer—at the average price paid for cotton by the Secretary—amounts of cotton not in excess of the amount of reduction in the production of cotton by such producer below the amount produced by him in the preceding copy year, which is to be not less than 30 per cent.

In the case of any specified commodity—wheat, cotton, field corn, hogs, rice, tobacco, milk, and milk products (and by amendments enacted in 1934, cattle, peanuts, rye, flax, barley, grain, sorghums, sugar-cane, and sugar-beets) —the Secretary is authorized to enter into agreements with producers whereby, in return for benefit payments from the government, they agree to curtail their crop production.

The Secretary of Agriculture is also empowered to issue, and to revoke, licenses to processors of farm products. Furthermore, whenever he deems such action advisable, processing taxes are to be levied upon the first processor of the commodity in question. The amount of the tax is to be the difference between the current average farm price and the fair exchange value of the commodity, as determined by the Secretary of Agriculture.

Funds to carry out the provisions of the Act are provided for by an appropriation of treasury funds and by the proceeds derived from the processing taxes. Compensating taxes may be levied on imports and refunds granted on exports.

Elaborate machinery has been set up for the limitation of the cotton crop by the Bankhead Act (*Cotton Crop Control Act* of 1934) which involves taxing those producers who produce in excess of allotted quotas. Similar machinery is set up with respect to tobacco by the *Tobacco Crop Control Act* of 1934.

The *Farm Credit Act* of 1933 provided for the organization within a Farm Credit Administration (the FCA) of twelve Production Credit Corporations, twelve Banks for Cooperatives, a Central Bank for Cooperatives, and for the formation of Production Credit Associations. The Production Credit Corporations are to subscribe for stock in local Production Credit Associations out of a revolving fund of $120,000,000 made available by the Reconstruction Finance Corporation. Production Credit Associations are to consist of groups of ten or more farmers desirous of borrowing money for general agricultural purposes.

The Banks for Cooperatives may grant loans to cooperative associations, and may borrow in turn from the newly created Central Bank for Cooperatives, as may the associations themselves. The framers of the Act realized that the Act itself is not clear and inserted a clause charging the Governor of the Farm Credit Administration with the responsibility of defining the scope of the activities of the Banks for Cooperatives and the Central Bank for Cooperatives in such a way as to minimize duplication of effort.

The general purpose of the Act is to make credit available to farmers for the production and marketing of agricultural products through credit machinery organized along regional lines.

III. Money and Banking

Economic depression in the United States frequently brings with it strong political pressure to meddle with the monetary system. It is very difficult for the average American, particularly when he thinks of himself as a debtor, not to believe that the origin of our economic troubles is monetary and that most of these troubles would disappear if the government were to issue more money. The President has been playing ball with the inflationists by giving them, at least apparently, all that they ask for, but subject to presidential discretion. The President now has the power to inflate the currency through paper-money issues, bimetallism, devaluation, or through purchases of silver. Had the President held out firmly against the inflationists he probably would have lost much political ground. He would have aroused their anger and the result very likely would have been mandatory inflationary legislation.

Title III of the Emergency Farm Relief Act of 1933 is the famous *Thomas Inflation Amendment*. Compared with the powers which it vests in the President the 16-to-1 program of William Jennings Bryan seems mild indeed. Under this title the President may request the federal reserve banks to carry on open-marked operations to the extent of $3,000,000,000. That failing, he may authorize the issue of United States notes (greenbacks) to the extent of $3,000,000,000. Or, if he so chooses, he may put the country on a bimetallic standard, and as originally enacted, in connection with an international agreement, reduce the gold content of the standard gold dollar by not more than 50 per cent. The powers of the President in this respect were considerably broadened by the *Gold Reserve Act of 1934*. Under its terms he effected the nationalization of weight (reduced from 25.8 to 15 5/21 grains, nine-tenths fine) and on December 21, 1933, announced that the United States mints would coin silver dollars out of new, domestically mined silver at 50 per cent seigniorage. Under the terms of the Gold Reserve Act, gold is no longer held by the federal reserve banks as lawful reserve. All gold is now held by the Federal Treasury and "gold certificates" is substituted for "gold" in the Federal Reserve Act. The profits arising out of the devaluation of the dollar were transferred from the federal reserve banks to the United States and now constitute an exchange stabilization fund.

The *Silver Purchase Act of 1934* directs the Secretary of the Treasury to maintain the proportion of gold reserve to silver reserve in the monetary stocks of the country at the ratio of 75 to 25. It is not bimetallism, however, since the free coinage of neither metal is permitted. The President, by proclamation on August 9, 1934, ordered that all silver (except fabricated silver) be

turned in to the mints within 90 days at the rate of 50.01 cents per ounce ($1.2929 per fine troy ounce less a deduction of 61 8/25 per cent thereof for seigniorage and other mint charges). This does not affect the purchase price of newly mined silver which continues to be purchased at 64½ cents per ounce.

Only a philosopher is qualified, now, to attempt to define just what constitutes a United States dollar. It is no longer gold; nor is it silver. It is a mythical unit represented by a piece of paper that is only psychologically linked up with gold.

Five days after Inauguration came the *Emergency Banking Act*, authorizing the President to prohibit the hoarding of coin and currency, and to keep the banks closed for the duration of the emergency. Bank conservators were provided for and the banks were to reopen only with the permission of the Comptroller of the Currency.

Under Title II national banks are allowed to issue preferred stock, which may be subscribed for by, or used for collateral against loans from, the Reconstruction Finance Corporation. It amended paragraph 6 of section 18 of the Federal Reserve Act so as to permit federal reserve banks to issue emergency currency backed by United States government bonds and other securities, and amended section 13 of the Act so as to permit the reserve definitely permitted within the restric- partnership, or corporation on their promissory notes secured by direct obligations of the United States. Also, for the period of the emergency, they are to be allowed to lend to non-member state banks.

This Emergency Act was followed, on June 16, by the comprehensive Glass-Steagall *Banking Act* of 1933. It provides for closer supervision of member banks to curb the use of credit for stockmarket speculation, for the divorce of security-company affiliates by member banks, and for the separation of investment and deposit banking.

Double liability of shareholders of National banks is eliminated respect to new shares, and branch banking is definitely permitted within the restrictions of state laws.

A Federal Deposit Insurance Corporation was created which was to insure bank deposits after July 1, 1934. Pending the inauguration of the permanent insurance plan a Temporary Federal Deposit Insurance Fund was set up to insure deposits up to $2,500 from January 1, 1934, to July 1, 1934.

The *Bank Deposit Insurance Act* of 1934 extends the temporary insurance arrangement to July 1, 1935, and raises the amount of insurance on individual accounts from $2,500 to $5,000. An Act approved on June 19, 1934 (Public No. 417) authorizes federal reserve banks and the Reconstruction Finance Corporation to grant direct loans to industry without federal bond collateral. Other legislation enacted in 1934 extends the life of the Reconstruction Finance Corporation to February 1, 1935, and sets up machinery for the establishment of Federal credit unions.

IV. Securities and Securities Exchanges

The *Securities Act of 1933*, as amended, provides for greater publicity with respect to the issuance of new securities by requiring registration of all new issues and data relating thereto with the newly established (1934) Securities and Exchange Commission. The commission does not guarantee the soundness or the safety of any issue, but prospective purchasers may obtain copies of the data (prospectuses and photostatic copies of registration statements) filed with the commission.

The *Securities Exchange Act of 1934* provides for the regulation of securities exchanges and over-the-counter markets that make use of the mails or any instrumentality of interstate commerce. It sets up machinery, also, for the elimination of undesirable practices on stock exchanges and gives to the Federal Reserve Board the power to set minimum margin requirements with a view to curbing overextensions of credit for speculative purposes.

V. Labor, Employment, Direct Relief

One of the major goals of the New Deal legislation is the securing to labor of protection and the right to work for a living wage. Section 7 (a) of the National Industrial Recovery Act has been hailed as a Declaration of Independence for labor. Yet, the precise meaning of the statutory guarantee that labor shall have the right to *bargain collectively* remains unsettled. The steel industry has threatened in no uncertain terms to give up its code unless it is left free to determine for itself the meaning of the term.

The *Labor Boards Resolution* (June 19, 1934) authorizes the President to establish boards to investigate issues, facts, and practices of employers and employees in controversies arising out of section 7(a) of the NIRA. Such boards may conduct elections by secret ballot among employees for the purpose of determining who are to be their representatives for the purposes of collective bargaining. Labor boards come, and labor boards go, and still the legal position of labor is far from clear. In the final analysis it will be the courts that will define the rights of employers and employees, and it remains to be seen whether these rights will be far different from what they have been heretofore.

Congress has sought to render more effective the Railroad Labor Act of 1926 (*Railroad Labor Disputes of 1934*) and has set up a system of pensions for railroad employees (*Railroad Employees Pension Act of 1934*) against which the railroads are already threatening to secure an injunction on the grounds that it is in violation of the Fifth Amendment to the Constitution of the United States.

A highly significant piece of legislation is the *Act Creating the United States Employment Service*. One of the most frequently heard criticisms among students of labor problems has been that we lacked a system of public employment agencies whereby jobless men and vacant jobs could be brought together. This Act sets up in the Department of Labor a bureau charged with this function. In order to secure the cooperation of the states, outright grants are provided for those states which match the amount allotted for the purpose of setting up state agencies.

It provides, also, for the formation of a Federal Advisory Council, consisting of representatives of employers, employees, and the public, which is to formulate policies and to insure impartiality and freedom from political influence in the solution of employment problems.

We authorized ourselves to become a member of the International Labor Organization (Act of June 19, 1934) and joined late in August, 1934.

Authorization for the creation of administrative relief agencies is embodied in the *Unemployment Relief Act of 1933* (under which the CCC camps were established) the *Federal Emergency Relief Act of 1933* (under which the FERA functions) and the *Civil Works Act of 1934* (which provided for the temporary continuance of the CWA. (*Continued on page* 27)

Chicagoan offers trustee plan for credit expansion

By OTTO EISENSCHIML, Manager,
Scientific Oil Compounding Co., Chicago.

One of the pressing problems of the day is the necessity of utilizing the potential credit which has been provided through the monetary and political developments of the last two years. Business is being challenged to take advantage of the easy terms on which money can be borrowed; both the government and the banks are expressing their anxiety to lend; but week after week passes without bringing with it the desired expansion of commercial loans. The horse has been led to the water but it has refused to drink.

The suggestion I am about to submit has for its objective the leading of the credit stream into safe, but hitherto unused channels. If such channels exist, the resulting financial irrigation should bring fruitful results.

At the present time the financial standing of a prospective borrower—a borrower either in money or in merchandise—is classed as good credit, fair credit or bad credit. I take exception to this classification. I believe it is undemocratic and inflexible—undemocratic because it puts once and forever the stigma of the Untouchable on many worthy commercial strugglers, and inflexible because it largely follows statistical ledger information which reflects the past rather than the present.

I hold that a good credit risk may borrow money for an undesirable purpose and thereby becomes an undesirable risk for this particular loan. I think, on the other hand, that a fair or bad credit risk may be about to initiate a profitable business transaction and for the moment become an extremely desirable outlet for lendable funds or for merchandise. Our present method of judging credit standards is one that should be modified so as to meet these conditions.

The crash has left in its wake many financial wrecks, but it has not changed to any degree the average character and ability of the American nation. There are at least as many clever business leaders, salesmen, manufacturers and professional men in this country today as there were in the now almost legendary days prior to 1929. Many people have everything today that spells success, except money and credit. If we could lead to them a stream of funds from which they could temporarily help themselves, it would be a great tonic for the business world and would be an important step towards the recovery we are all aiming at.

Let us assume that a small factory has secured a profitable order requiring $5000.00 worth of raw materials. The bank is approached, but turns a cold shoulder to the proposition because the concern is badly involved, and judgment may be taken against it for old accounts at any time. As a matter of fact, if it should become known that the firm has secured additional working capital from the bank, this might presumably precipitate the drastic steps that have been withheld heretofore. The supply houses who furnish the necessary materials for the fulfillment of the order are approached next, and while they may be more lenient in their attitude, they can hardly afford to come to any different conclusion from the one reached by the bank.

No intelligent credit manager will sweeten a sour pot for the purpose of furnishing the means to satisfy someone else's old claim. However, if the contemplated transaction could be financed without interference from old claimants, it would make the extension of credit an easy matter. This is exactly what the plan submitted herewith aims to do.

According to the proposed scheme, any firm that has secured an order for goods to be manufactured (or has a reasonable chance of reselling the goods about to be purchased) would be given credit enough, either in the form of money or in the form of merchandise, to carry this transaction through. No interference on the part of old creditors or other claimants would be allowed. Old creditors may attach the profits resulting from the transaction, but they could not touch the money or the merchandise forming part of this particular deal.

Given the proper legal foundation, there should be no difficulty in working out the details of this plan. The would-be borrower would first secure the order. He then would offer to have the whole transaction supervised by a trustee—in fact, would assign the whole transaction to a trustee. The trustee would register the projected deal in such a form so as to exempt it from any interference on the part of the old creditors even in case of bankruptcy. At this stage the bank could come in and undertake to finance the transaction. If banking credit could not be found, the supply houses could form a pool and carry the deal themselves.

The duties of the trustee would consist mainly in securing an assignment of the invoices, in collecing the payments and in distributing them pro rata. An actual supervision amounting to an intervention in the firm's affairs is not contemplated; for unless the moral standing of the concern is sufficiently high to warrant considerable confidence on the part of its creditors, such a trusteeship should not even be attempted.

I imagine that in most cases the banks would still fight shy of handling matters of this sort. While they may be able to satisfy themselves as to the financial standing of the firm to whom the goods in question are to be sold, they would probably feel that they are unable to properly judge the ability of the borrower to manufacture the merchandise properly. The bank would enter a new field requiring a knowledge of specialized businesses which they could hardly be expected to possess.

The credit managers of the supply houses, on the other hand, thoroughly familiar as they are with the personnel of each organization they deal with, should not hesitate to underwrite a deal of this sort, which eliminates so many ordinary every-day factors of uncertainty. They are also more familiar with cost figures in their particular line and are capable of judging whether or not the contemplated transaction is likely to be a profitable one.

The trustee would be obligated to issue receipts against goods received from the supply houses, and these receipts would constitute a first lien against the invoices or bills to be rendered. He could also issue, if so desired, a certificate of participation to the firm itself, which *(Cont. on page 36)*

"It's an ill wind . . ."

and the creditors in this $100,000 bankruptcy were deeply involved by the Wind, whose first name is Harry, and who, with twelve others, is now sentenced to jail.

An ill wind—first name Harry—that blew no one good, blew himself and eleven associates to jail terms ranging from thirty days to two years on December 10, 1934, in the Federal Court for the Southern New York District. The case involved the bankruptcy of the Parody Dress Company in November 1931, a bankruptcy that had cost merchandise creditors between $75,000 and $100,000.

Harry Wind, the master mind of this fraudulent bankruptcy, had been suspected of being engaged in shady transactions for a period covering a number of years, but at all times he was clever enough to so limit his activities that only the finger of suspicion pointed at him.

Ingenious as he was, Wind made one error. And one error was enough for Uncle Sam. Wind believed that his activities were so skilfully cloaked that he was immune from punishment. He reckoned without the long and very efficient arm of the investigatory services of the Government. The Federal men were called in on the case after the bankruptcy because of the exasperated feeling of a large number of creditors who had been defrauded. Here's how it started:

During the Spring of 1931 the Parody Dress Company of New York was formed with headquarters at 147 West 35th Street. To outward appearances, it was a legitimate new business enterprise. But it was not long before it came to light that the moving factor in its organization was Harry Wind, who, it later developed, was interested in obtaining as much merchandise as possible without making the necessary payments.

The scheme formulated was to secure merchandise on the financial rating of the Parody Dress Company, dispose of it through a chain of small stores located in various sections of the city. These stores were opened solely by the group for the disposition of the merchandise and remained open only for the length of time required for that part of the scheme.

After these small stores had failed, examination of the books of the Parody Dress Company indicated that the accounts receivable, covering the money due, were worthless. As a matter of fact, those operating the Parody Dress Company had already shared in the proceeds of the loot. But in order to cover many of the illegal transactions, fictitious accounts receivable were placed in the records, and in several instances, concerns located outside of New York City were reported as having received thousands of dresses, dresses which, of course, were never delivered. Furthermore, the pretext of a fake robbery was claimed with a loss of a large quantity of merchandise.

Shortly after November 7th, 1931, the date an involuntary petition in bankruptcy was filed, the subject matter was brought to the attention of the Fraud Prevention Department of the National Association of Credit Men by one of the subscribers to the Fraud Prevention Service. The case was investigated by the Department's investigators and the resulting information turned over to the Department of Justice and to the office of the United States Attorney.

Originally the dress company was engaged in the manufacture of women's dresses, but shortly after starting the business, this procedure was discontinued and work sent out to contractors. Nevertheless, salaries of the officers were increased more than 100% and relatives were carried on the payroll for a number of months, although these relatives never performed any duties in connection with business operations.

It was part of the general scheme to have all of the concerns involved, with the exception of the Parody Dress Company, to go out of business or enter bankruptcy prior to the Parody assignment, so that the latter company's books would set forth large fictitious assets.

For instance, the records of one of these stores, known as Jack's Dress Shop, operated by Jack Wasserman, indicated the sale of an average of 15 dresses a week between September 9th and October 10th, 1931. Yet during that period Wasserman was charged with a total of $1598.00!

It was also learned that a large shipment of merchandise was sent to an empty establishment at Passaic, New Jersey, where one Julius Fogel received and concealed the merchandise. Other instances of merchandise being recorded as going to the small stores, operated by the gang, *and never being received,* were uncovered. The Parody's books, however, had reported delivery!

It was also found that Harry Wind met the owner of a reputable business, in a New Jersey seashore city, and arranged for the rental of part of the establishment. Then through one of his confederates, Jack Wasserman, he caused letterheads to be printed bearing the name of the owner of the establishment, and sent false financial statements on these letterheads. This enabled him to prove to creditors of the Parody Dress Company that this account receivable was in excellent condition, and this concern alone was charged with approximately 3,000 dresses, none of which had actually been received.

This investigation was supplemented by the Department of Justice and the information obtained was submitted to the Federal Grand Jury, which returned indictments against sixteen individuals for conspiracy to violate the National Bankruptcy Act and concealment of assets in violation of that Act.

On December 3, 1934, after a trial of two weeks, a verdict of guilty as to twelve of the defendants was returned by the jury, and the following sentences meted out on Monday, December 10th:

On the first count, conspiracy to violate the National Bankruptcy Act, Harry Wind was given two years in prison. Terms of 18 months were meted out to Murray Rosen, Louis Moncher, and George Sabele. One year and one day terms were given to Jack Wasserman, Julius Fogel, Jack Fishgold and Joseph Adler. Jack Engel received six months, Harry Katzman four months, Samuel Burwick three months (*Cont. on p.* 45)

Chimes of credit cheer

by PAUL A. BARKULOO*

'ROUND HIS CASH HE WRAPS A WICKED WALLET

(*Tune—'Round Her Neck She Wears a Yeller Ribbon*)

Round his cash he wraps a wicked wallet,
He wraps it in adhesive and then glues it, so they say.
If you ask him: "Why the tardy payment?"
He'll say: "It's cause my jobber is so fur, fur away."
"Fur away (I won't pay), fur away (Judgment Day),
I won't be paying bills till you decay."
'Round his checks he pours adhesive plaster,
He'll mail 'em to his jobber at some dim distant day.

SHORTY O'KALE

(*Tune—Peggy O'Neil*)

If his debts are old as Vets,
That's Shorty O'Kale;
If he's stalling all the while,
That's Shorty O'Kale;
If he sends you a rubber-tired check,
If he rends you from shoe sole to neck,
Punk punctuality, full of fatality,
That's Shorty O'Kale.

THERE'S A LONG, LONG WAIL A-WAITING

(*Tune—There's a Long, Long Trail A-Winding*)

There's a long, long wail a-waiting,
To crimp the calm of my Boss,
For the Directors they are stewing
O'er the bad debt loss.
I've spent long, long days of guessing,
But all my dreams don't come true,
And the day when we'll be getting all
That long lost kale—Curfew!

WHEN YOU AND I WERE STUNG, BUDDIE

(*Tune—When You and I Were Young, Maggie*)

I wandered today o'er the books, Buddie,
To view the guys so slow,
The Profit and Loss musty spooks, Buddie,
They will pay when in Hades there's snow.
The sweet smile is gone from my looks, Buddie,
Where once some fond hopes clung,
The "P and L" book is the hook, Buddie,
When you and I get stung.
And now we are spavined and bald, Buddie,
With credits and strife nearly croaked,
Let us hope for the men who are prompt, Buddie,
E'er you and I get soaked.

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LET ME CALL YOU A-1

(*Tune—Let Me Call You Sweetheart*)

I will call you blessed
When there's nothing due;
I'll O. K. your orders
If you help me to;
Keep your checks a-moving
And cut out the glue,
Then I'll call you A-1,
If you just come through.

MERRY-LAND, MY MERRY-LAND

(*Tune—Maryland, My Maryland*)

There is a land that's might grand,
Credit Man, Oh Credit Man,
Where sales are brisk and bad debts banned,
Credit Man, Oh Credit Man.
Remember now sweet buy and buy,
Where debtors pay without a sigh:
We hope to get there—when we die,
Credit Man, Oh Credit Man.

ROAMIN' IN THE FOAMIN'

(*Tune—Roamin' in the Gloamin'*)

Roamin' in the foamin'
On the Credit "C's" o' strife;
Roamin' in the foamin'
With the "bustee," that's the life;
When in bankruptcy he's bent,
And you get your four per cent,
Oh! it's lovely roamin' in the foamin'.

PROMPT PAYER MINE

(*Tune—Sweet Adeline*)

Prompt payer mine (prompt payer mine),
My valentine (forever thine),
Your checks are sound (your checks are sound),
They don't re-bound (they don't re-bound).
What joy untold (what joy untold),
If more I sold (if more I sold),
Put your power in their punch,
Prompt payer mine.

BRING BACK MY MONEY TO ME

(*Tune—Bring Back My Bonnie to Me*)

My debtor lied over his statement,
My debtor lied over his check,
My debtor lied over his assets,
Oh bring back my money, by heck!
Bring back, bring back,
Bring back my money to me, Oh Gee,
Bring back, bring back,
Oh bring back my money to me.

Insurance engineer explains why explosion, civil commotion and riot "coverage" is so necessary

By JOHN C. MILLIKEN, Assistant Chief Engineer, Continental Insurance Co., of New York.

The standard fire insurance contract alone does not cover any damage done by explosion, unless the latter is the result of fire, and it specifically excludes fire or other damage which results from riot and civil commotion.

It is perhaps not generally realized by property owners that if property is burned as result of riot incited by strikes or other causes, there is no liability under the standard contract. The latter *does* cover, however, fire damage following explosions which are not the result of riot and civil commotion.

During the last decade there has been a steadily developing demand for Explosion and Riot and Civil Commotion insurance. This has been due partly to the increased use of hazardous materials in the arts and trades, and partly to the disturbed condition of present times. In a sense both covers are supplemental to fire insurance and there has been a growing appreciation on the part of property owners, banks and other investors that one or the other cover is almost essential to a well-rounded insurance program.

It is the purpose of this article to briefly explain these covers as written by fire insurance companies; to present some of the specific occupancies where the covers are especially desirable, and to indicate what the insurance companies have done to satisfy demand for protection to meet these situations.

Inasmuch as the Explosion contract is the simpler document this policy will be discussed first. What does the Explosion policy cover?

Quoting from the insuring clause in the contract, it covers "against all direct loss or damage by explosions (excluding explosions originating within steam boilers, pipes, fly-wheels, engines and machinery connected therewith or operated thereby)."

The exclusions mentioned are made because fire insurance companies cannot legally write insurance against the excluded casualties. Insurance covering these latter hazards can be secured from casualty companies. It is to be noted, however, that the steam boiler exclusion is held to exclude only steam pressure explosions. The contract is interpreted to cover explosions occurring in the fire box of a steam boiler and to be liable for damage caused by explosions in hot water heaters and hot water boilers.

It further provides the company shall not be liable for loss caused by military or naval forces of foreign enemies.

In addition companies put an exclusion clause in form on all Explosion and Riot and Civil Commotion policies which excludes loss caused by order of any civil authority to retard or arrest the progress of a conflagration. This exclusion can be waived as explained later.

The hazards covered by the Explosion policy may be conveniently grouped in three classes: (1) The inherent hazard, (2) the malicious hazard, and (3) the "off-premises" hazard.

The inherent explosion hazards are those contained within the property itself. Some of them are common to almost all properties and others vary with the occupancy. Almost every factory, mercantile and household uses artificial or natural gas to a greater or less degree and gas explosions, usually resulting from leaks or accidents, or extinguished burners, are probably the most prolific cause of loss.

Fuel oil is becoming increasingly popular as a heating material and if the equipment is not properly installed, does not have the proper supervision, or if the wrong grade of oil is delivered, a disastrous explosion may result. Coal gas causes occasional serious damage. Explosions are also constantly occurring from the use, storage or careless handling of volatiles. Hot water heaters have already been mentioned.

In addition to the above mentioned hazards many manufacturing plants contain a severe inherent dust explosion hazard. Cereal, flour and feed mills, cork grinding mills and starch mills may be especially mentioned. Most furniture factories, automobile factories, casket factories, and frequently metal-workers, finish their products by means of a spraying process, employing large quantities of lacquer or volatile varnishes. These finishes are often baked or dried in artificially heated ovens. Both the spraying and drying processes may result in conditions which are ideal for explosions.

Cold storage plants, ice manufacturing plants, breweries and packing houses generally use refrigerating equipment which may explode. Degreasing plants, dyeing and cleaning plants, etc., frequently use large quantities of gasoline although there has been a tendency in recent years for some of the dry cleaning plants to use less hazardous substitues. Many chemical plants develop compounds the manufacture of which is particularly hazardous.

Certain plants, especially soap factories, alcohol plants, cosmetic and patent medicine plants, use stills for purifying or separating ingredients. These occasionally explode. The compressed air hazard used by so many metal-workers is generally familiar. Likewise the hazards attending the storage and use of celluloid, and of common explosives, are well recognized. These comprise the principal inherent hazards.

The malicious explosion hazard usually develops from political or personal grudges or labor difficulties. Many dwelling houses, business and municipal properties, theatres, newspapers, lodge properties and hotels have been dynamited or bombed by agitators or racketeers. Certain industries, such as the dyeing and cleaning industry, and the garment industry, have been particularly troubled in this respect.

The property owner may take every precaution against an explosion in his own property but it is impossible for him to guard against the "off-premises" hazard. This may be very severe, particularly in congested districts. We are all familiar with the widespread damage which occurred in Pittsburgh some years ago when a gasometer exploded.

Such a catastrophe does not occur frequently but there have been many instances in which property has been destroyed or damaged by explosions in other properties containing definite explosion hazards over which the assured had no control. There have even been explosions in sewer mains such as that

which occurred at Newburgh some years ago and which did considerable damage.

An explosion hazard which is not ordinarily covered by the explosion policy but which may be covered, is the authorized dynamiting of property by public authorities to stay the progress of conflagrations. This cover is useful in congested districts and can be endorsed on the explosion policy at negligible cost.

The Riot and Civil Commotion policy covers all the hazards and casualties covered by the explosion contract and is really an extension of that contract to provide protection against riot, insurrection and civil commotion damage (such as window breakage or other property wrecking occurring during a riot, or pillage and looting occurring during and at the immediate place of a riot) and fire damage resulting from these contingencies.

Riot cover is not written independently of explosion cover, because of the fact that rioting agitators are very likely to make use of explosives. Riot and Civil Commotion insurance therefore, though it costs more than the Explosion cover, is obviously more desirable than the latter, particularly for industrial plants which are especially subject to strikes, properties in the vicinity of such plants, municipal properties, newspaper plants, etc. Coal mines, garment and textile workers have been notable purchasers of the cover.

Just what constitutes a riot, therefore falling within the purview of a Riot and Civil Commotion policy? Section 2090, Penal Law of the State of New York, defines a riot as follows:

> "Whenever three or more persons having assembled for any purpose disturb the public peace by using force or violence to any other person or to property, or threaten or attempt to commit such disturbance or to do an unlawful act by the use of force or violence, accompanied with the power of immediate execution of such threat or attempt, they are guilty of Riot."

There are other legal definitions but the New York Law contains the essentials generally recognized by insurance companies as descriptive of a riot. Anything less than this is considered to be Vandalism or Malicious Mischief which is not covered by the Riot policy unless the latter is specifically endorsed to cover it in consideration of an additional premium.

This class of protection has only recently been written (*Cont. on page* 41)

Economic Credit Council forecasts upturn in 1935

In the sixth business survey which the Economic Credit Council of the National Association of Credit Men has held in the past two years, many interesting findings have been developed. The survey was completed in December.

The membership of the Council is composed of one or more members from each of the local Credit Associations throughout the country. This sixth survey was answered by 67 manufacturing, 39 banking, and 44 distributing firms. 34 of these were located in the East, 67 in the Mid-West, 26 in the South, and 23 on the Pacific Coast.

The first question the Council undertook to answer was whether or not business conditions were anticipated to be better, poorer, or the same in 1935 as in 1934. In response to this question, 84% of the Council declared its opinion to be that business conditions in 1935 would be better than in the year just past. Only 2% believed they would be poorer and the remaining 14% felt that conditions would remain about the same.

In checking with their customers, 34% of the Council members find inventories during 1934 to have been maintained on a higher level than in 1933, 35% report smaller inventories during 1934 than in the previous year, and 31% report no change.

As to the effect on business of the operation of the Corporate Reorganization Bill passed by the 1934 Congress, 60% believe that it has been neither harmful nor beneficial, 29% find it beneficial and 11% harmful. In an effort to ascertain the bank credit situation, concerning which there is so much confusion, claims and counter claims, the next question was broken up in two parts.

Business men of the Council were asked this question: "Has bank credit in your locality been eased as regards commercial loans. (A) since the President's talk in October; (B) since a year ago?" In answer to this, the business members of the Council reported as follows: Since the President's talk in October, 63% of them believe no change of any substantial amount has been made in the easing of bank credit, but only 45% believe there has been no change since a year ago.

The banking members of the Council were asked a similar question: "Has the validity of loan applications justified bank credit expansion: (A) since the President's talk in October; (B) since a year ago?" The banking members of the Council were more or less divided on this, 67% believing no change since the President's talk to the American Bankers' Association in October, and 54% believing no change since a year ago at this time.

As to the matter of inflation, 45% of the members believe the inflation sentiment in their area to be about the same as last Winter, 32% believe it to be declining, and the remaining 23% to be growing.

The question of whether the United States should maintain the present Federal Reserve set-up or develop an entirely independent U. S. Central Bank was answered by every member of the Council. 91% of them are in favor of the Federal Reserve set-up as opposed to a U. S. Central Bank.

But in the matter of social insurance, there was quite a division. 55% do not believe the Federal Government should take part in any form of social insurance. To meet the unemployment relief situation, these members voted 22% in favor of direct dole, 67% in favor of public works, and 11% for a number of other means of meeting the situation.

The 45% who favor the Federal Government taking over social insurance had four main ways to this end in mind. 31% favored unemployment insurance, 41% old age insurance, 9% health insurance and 19% widow and orphan insurance.

As to the most disturbing factors facing business and Government today 74% find inflated Government expenses to be the cause, 22% inflation, 70% excessive taxes, 52% unsettled money policies, 71% unemployment, 9% foreign trade curbs, 8% tariffs, 2% war threats, 8% sectionalism, 2% nationalism, and 6% bonus demands.

108 cents on the dollar!

Here's the story of how an N. A. C. M. Adjustment Bureau handled an interesting case in such a way that the creditors received full settlement and interest and the debtors were helped on to a promising future.

Name of the company and the kind of business naturally have been disguised

The Striker Manufacturing Company manufactured a specialty which might be said to reach supreme heights in ultra-specialization. It was, moreover, a luxurious specialty, an essentially abstract character of commodity that could not be eaten, worn, or used to fill any basic need of humanity. And it could be used but once, after which it became as valueless as the day before yesterday.

The only other manufacturer whose product might, in a merchandising sense, be compared with that of the manufacturer whose case is herein described would be old Mother Nature. Does that sound far-fetched? Well, please consider that among other things manufactured by Nature, if you will permit that flight of imagination, are Christmas trees. Christmas trees are used but once each year, limiting the selling season to just a short week or two at most. It is true, of course, that for certain very unusual requirements, an occasional Christmas tree might be marketed between December 26th and December 10th of the following year, which might inaugurate its legitimate sales period. But not in such isolated instances, however, could Nature, Inc. derive the sales volume preliminary and and essential to dividends to delight the hearts of her stockholders.

So there we view the merchandising picture. The commodity contributes nothing whatever to any basic human need. By the thrifty and conservative, it would be regarded almost wholly as a non-essential. Its life, as a matter of fact, is so short that the Christmas tree with which we have tentatively compared it, is an octogenarian. Wholly like the Christmas tree, on the other hand, it is something to be considered by the public only once each year.

It is not wholly strange, then, during a period of intense and prolonged depression, that such a merchandising craft should strike the rock of disaster and flounder. When Seattle Association of Credit Men Adjustment Manager, H. E. Warner, responded to the SOS call he found a situation about as follows:

Liabilities totaling $16,892.64 and assets consisting of a few accounts receivable of doubtful collectibility and a specialized factory located on rented property.

A bad situation? Yes! But that is not all. Before proceeding, let it be pointed out that this corporation was family owned, controlled and directed. This seemingly irrelevant bit of comment is introduced because of the disturbing family difficulties that were constantly injected into the case. So explosive and vituperative were certain conference outbursts that Manager Warner was compelled to order, in no uncertain terms, the laundering of family linen at some place removed from committee meeting. While adjustment bureau work requires the use and direction of the forces of human nature, it cannot be expected to vastly alter human nature in its raw state. Not a pretty set-up, to be sure. Apparently undismayed, howemer, Manager Warner figuratively rolled up his sleeves and started.

His initial effort was directed to smoothing the ruffled personnel, and

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This story illustrates in a striking manner the workings of that most valuable asset—ingenuity.

There is nothing mysterious about the *mechanical* functions of the Adjustment Bureau. Many of its *operations* are simple.

The important thing is the skill and the resourcefulness of the men experienced in Adjustment Bureau work.

This unusual ability distinguishes the work of the Adjustment Bureaus of the National Association of Credit Men.

To find a market for merchandise where no normal market exists is real alertness and salesmanship.

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seating in the management the sound, level-headed executive from within the manufacturing company's organization in whose judgment and ability he possessed marked confidence. Next, the overhead cost of operation was closely scrutinized, with substantial payroll and sundry savings effected. Insurance was reduced to an amount just sufficient to cover the claims of creditors. All accounts receivable, except those immediately current, were placed with the Association's collection department for immediate attention.

Let us assume the passing of a few months, which may be dismissed by saying they were quiet and uneventful insofar as any forward business progress might be concerned. Passage of this interim, however, brings us to that time when it becomes necessary to prepare for the seasonal business, for which the first requisite was necessary working capital for the purchasing of raw materials, paying of freight and employing of labor. With confidence in the management working under Association supervision, the hurdling of this barrier was achieved through a bank loan in the amount of $35,000.00.

Having taken this decisive step, forging boldly ahead upon a course from which there could be no graceful return, every phase of the business—management, production, sales—was held under a taut Association rein. Its success is best attested by a midsummer bulletin to the creditors which read:

"Enclosed find check representing a first dividend of 25 per cent. We shall be in a position to make another remittance to creditors during the following month."

Nor was that concluding statement an idle boast. Before the following month was half spent, a second dividend of 15 per cent was mailed to creditors. Forty per cent of the indebtedness had thus been distributed.

In view of all existing conditions and factors, the 40 per cent dividend represented all that could be returned to the creditors during that year. But it was not all that was going to be returned to them. The manager, in whom the Association had confidence, turned his attention to seeking a new outlet for the factory's product. Although an admittedly difficult task, ingenuity and persistence proved winning cards. A market was found and its development played no small part in the final outcome.

Turning the calendar ahead just one year, the following bulletin to creditors is written into the record:

"We are enclosing check representing a third dividend of 40 per cent, making a total of 80 per cent paid creditors to date.

"Additional funds will be available for distribution within another sixty days."

But it was in less than sixty days that the creditors received a bulletin reading:

"We are enclosing a check representing a fourth dividend of 28 per cent, making a total of 108 per cent paid creditors in this estate.

"Striker Manufacturing Company and its creditors are to be congratulated on the outcome of the extension granted under date of ———, 1932."

There is the true story of another highly constructive extension under direction of the competent adjustment bureau manager of a thoroughly modern and progressive Association. From a seemingly hopeless and chaotic business situation, order was restored, and every claim paid in full, plus 8 per cent, within less than two years. And this was accomplished in the face of conditions, external and internal, that might easily have caused even a capable trustee to throw up his hands, wind up affairs as speedily as possible, secure perhaps a few cents on the dollar, and tell the creditors they were fortunate to get that.

The business in question has been restored to its former principals with its slate wiped clean. Its future destiny lies wholly with its owners. But its past creditors cannot quickly forget the perfect conversion of their claims into cash, with this single case going a long, long way toward justifying the need for the existence and the far-reaching usefulness of the Associations of Credit Men.

This story indicates just what can be done through intelligent co-operation in adjustment of distressed accounts. It does not take much imagination to picture what might have happened in this case if each one of the creditors had insisted upon making a frenzied scramble for the few dollars available when this case first came to the attention of the Seattle association.

Louisiana debtors must apply to commissioner to benefit by new state moratorium statute

Credit Interchange reports urged as best means for credit valuations in state under new law.

Special Dispatch from New Orleans

Newspaper reports and radio announcements were responsible for an erroneous impression of the context of the Louisiana Moratorium Act.

The Louisiana Legislature, at its recent special session passed House Bill No. 2 providing for the suspension of *all laws or parts of laws relative to the enforcement of debts,* public and private with certain exceptions (being any debt or other obligation due to the United States or any agency or department thereof, any taxes or licenses due the State of Louisiana or any of its political subdivisions, agencies, boards, commissions or departments or to any Parish or municipality). This Moratorium will remain in effect until noon of the 20th day after the adjournment of the regular session of the Legislature of the year 1936, or, about August 1st, 1936.

The delay in publishing the act caused many national distributors doing business in Louisiana to become uneasy in the belief that all debts created prior to November 16th were automatically frozen.

The law states, Section 9, *"This act shall apply only to debts made, contracted or existing prior to the passage of this act, but shall not apply to debts made, contracted or existing prior to the passage of this act which shall hereafter be renewed or extended for a period ending more than one year after the date this act goes into effect."*

Section 14, "The term debt as herein used shall be construed to include any evidence of indebtedness whatsoever, and any and all liens, privileges or mortgages which might secure the payment of the same, including the vendor's lien and conventional mortgages, judgments and legal or judicial mortgages, except bonds of the State or of any political subdivision or municipality."

The act was passed on November 16, 1934, and became effective at noon Friday, December 7, 1934.

The regulations provide that no formality is required of the debtor in the presentation of his application for a moratorium or suspension. He may apply by letter, by affidavit or by petition. In any case setting forth briefly the facts which he contends justifies a moratorium in the case of his debts. The letter, petition or affidavit to be accompanied by a list of creditors.

The regulations of the Commissioner of the State Banking Department, charged with the administration of the act further provides that upon receipt of an application the debt Moratorium Commissioner will notify by letter, deposited in the United States mails, the creditor or creditors and the debtor or debtors who have made the application of the time and place when a hearing will be had contradictorily with him, or them, in relation to the application. Either or both parties may appear at the meeting in person or be represented by counsel, or other persons, or the application may be submitted for decision as filed, and the opposition of the creditor or creditors must be submitted in the same manner. In other words, the hearing may be conducted upon the face of the papers, and it is not essential for the parties to appear.

Quoting further from the regulations, all proceedings shall be without cost to the parties involved. However, should a creditor desire testimony taken and transcript thereof it will be at his expense.

All proceedings will be conducted by the Debt Moratorium Commissioner with the utmost secrecy; only those creditors involved in the particular case will receive notice of the meeting. There will be no publication of the application or judgment order of the Commissioner such as exists in judicial proceedings.

The only way the credit world will have knowledge of an application for relief under this two-year plan will be to immediately report the case to their Credit Association, and the latter to disseminate the information quickly; bringing about a reversal of caveat emptor (let the buyer beware) and substituting therefor caveat vendor (let the seller beware) so as to protect himself.

The Commissioner has not decided whether he will insist upon the debtor bringing his books and records before him nor are creditors aware as to how strict or lenient the Commissioner will be in his examination.

A debtor does not have to be insolvent to apply for this respite, merely to recite briefly the condition leading up to his request.

After three months from the effective date of this act, or March 6th, 1935, any creditor or holder of any debt covered by this act may apply to the Debt Moratorium Commissioner for a hearing contradictorily with the debtor or obligor to determine whether or not the debt involved should be suspended or regulated in accordance with the provisions of this Act, and if it appear that prior to said application amicable demand for the payment of said debt had been made on the debtor, or obligor without avail, and that the said debtor or obligor has not himself made application, as hereunder provided, with regard to said debt, the said hearing shall be granted and the matter proceeded with by the said commissioner in all respects as if the debtor had made the application. Creditors, however, are stopped from appearing before the Commissioner prior to the expiration of this ninety-day period.

Quoting from Section 8, "any party who has an interest in the subject matter and who is a party to any proceedings under the Debt Moratorium Act, shall have the right to apply either to the District Court of the Parish of East Baton Rouge, or to the District Court of his domicile for a review, contradictorily with the Debt Moratorium Commissioner, of any order or decision of said Commissioner; provided that said district court shall have no authority to enjoin or restrain any such order or judgment of said Debt Moratorium Commissioner before the final determination thereof, by the court of competent appellate jurisdiction, or before the delay for taking an appeal has expired. An appeal may be taken to the court of competent appellate jurisdiction, but no order or judgment of the Debt Moratorium Commissioner shall be suspended until (*Cont. on p.* 40)

"New Deal" legislation

(*Continued from page* 18)

VI. Housing

The *National Housing Act* of 1934 is intended to make home financing, on reasonable terms to the borrower, immediately and permanently attractive to private capital. It does not provide any machinery for making direct federal loans but rather seeks to encourage private capital. Its four main divisions provide for (1) insurance of financial institutions making loans for housing renovation and modernization; (2) mutual mortgage insurance for the purpose of standardizing and popularizing long-term amortized home mortgage loans; (3) the creation of privately organized National Mortgage Associations in order to attract capital funds into areas where home mortgage money is now scarce by rendering home mortgages a more liquid form of investment; (4) insurance of savings and loan accounts in order to eliminate the competitive inequality claimed to have been generated by the insurance of bank deposits.

VII. Thawing Out Congealed Assets

Debts are expressed in terms of dollars and remain fixed even though dollar incomes decline. One of the sorest problems of the Great Depression has been the solving of the debt problem in its many manifestations. Home owners with mortgages on their homes, farmers with mortgages on their farms, and railroads with their heavy fixed charges are typical. On the other side of the picture are those financial institutions which have big stakes in these debt-burdened industries. Default on home mortgages and railroad bonds means great financial hardship for the insurance companies, banks, and building and loan associations which are their creditors.

Nine laws have been passed by the New Deal Congress for handling the problem of thawing out the congealed assets of the debt-burdened groups.

The *Home Owners' Loan Act* creates a Home Owners' Loan Corporation, with a capital stock of $200,000,000 to be subscribed by the Treasury out of funds made available for the purpose by the Reconstruction Finance Corporation. Its function is to exchange its bonds for home mortgages. The original Act of 1933 provided for government guarantee only of the interest on such bonds. The *Home Owners' Loan Act of 1934* provides that they are to be guaranteed also as to principal. In certain cases cash advances may be made for repairs, taxes, and assessments. The Act of 1933 also provided for the organization of local savings and loan associations under federal charter in order to provide the facilities of this type of institution where such have not been developed by local initiative.

Title II of the Emergency Farm Relief Act of 1933 constitutes the so-called *Agricultural Credits Act,* the object of which is to render it easier for farmers to obtain new credit and to reduce the carrying charges on their present indebtedness. Fifty million dollars in treasury funds is to be paid into the surplus of the federal land banks in order to enable them to buy up, or exchange their bonds for, farm mortgages. The Farm Loan Commissioner is authorized to grant loans direct to farmers on mortgage security to help them refinance mortgages, to provide them with working capital, and to redeem properties already foreclosed.

By the terms of the *Emergency Railroad Transportation Act* the President is authorized to appoint a Federal Coordinator of Transportation and three Regional Coordinating Committees. Their powers are such as are necessary to carry out the purposes of the Act which are to encourage the railroads to avoid duplication of services and other operating wastes, and to promote the financial reorganization of the roads so as to reduce their fixed charges. Orders of the Coordinator are subject to review by the Interstate Commerce Commission. The troublesome recapture clause of the Transportation Act of 1920, which provided for the turning over of excess profits to the government, is repealed retroactively.

The Act providing for *Reconstruction Finance Corporation Assistance to Insurance Companies* authorizes the corporation to subscribe to, or grant loans on, preferred capital stock of insurance companies which are in need of funds for capital purposes. The Act providing for *Reconstruction Finance Corporation Assistance to Closed Building and Loan Associations* gives the corporation blanket power to lend to banks, savings banks, building and loan associations, and virtually every other type of financial institution. Also, it definitely provides that the corporation may grant loans to banks, savings banks, and building and loan associations when they are closed or are in process of liquidation.

Congress, in its 1934 session, enacted additional legislation aimed to make deflation easier. The Uniform Bankruptcy Act of 1898 (which had been amended in the last days of the Hoover régime) has been amended so as to make bankruptcy and financial reorganization an easier and quicker process than heretofore for farmers *(Farmers' Bankruptcy Act* of June 28, 1934), corporations *(Corporate Bankruptcy Act* of June 7, 1934) and municipalities *(Municipal Bankruptcy Act* of May 24, 1934).

The *Federal Farm Mortgage Corporation Act* of 1934 sets up a new corporation which is authorized to issue and exchange its bonds for consolidated farm loan bonds issued under the Federal Farm Loan Act. Such bonds are guaranteed by the United States both as to principal and interest.

VIII. Communications and Utilities

Three Acts of importance were passed in 1934 relating to communications and public utilities.

The *Communications Act of 1934* created a Federal Communications Commission charged with the regulation of interstate communication by telegraph, telephone, cable, and radio. It represents a unification of federal control over such matters, leaving, however, the Interstate Commerce Commission in charge of railroads.

The *Public Utilities Review Act* of 1934 prohibits federal district courts from entertaining suits restraining state public utility commissions from enforcing any order with respect to rates where such order does not interfere with interstate commerce. The object of this is to give state commissions a freer hand by removing some of the threats of federal injunctions that have interfered with their work in the past.

A Public Resolution, approved April 14, 1934, authorized the Federal Power Commission to investigate the rates charges for electrical energy by power companies throughout the United States.

IX. Regional Planning

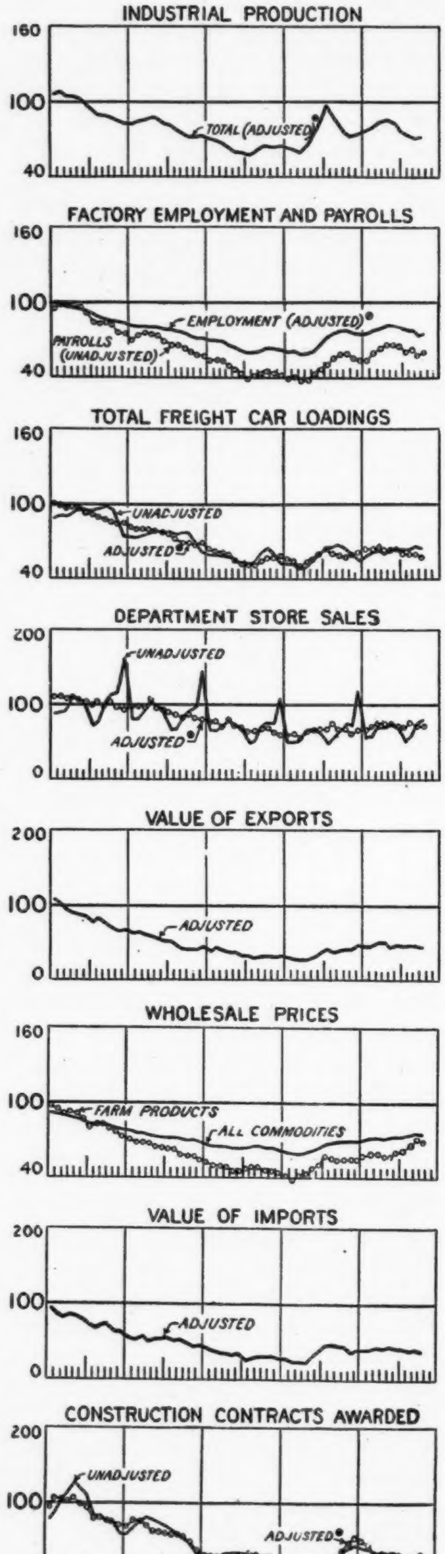
The huge power plant at Muscle Shoals is to be operated by a corporation to be known as the Tennessee Valley Authority (provided for in the *Tennessee Valley Authority Act*). This corporation is empowered to contract with commercial producers for the production of such fertilizers as may be needed in the government's program in excess of that produced by the government plants, and it may sell fixed nitrogen, fertilizer, fertilizer ingredients, and electric power.

(*Cont. on page* 33)

The business thermometer:

Department of Commerce charts

1923-25=100



Trade winds for New Year

There are so many indices of improvement in business that it seems a difficult task to point to the one that will have the greatest influence at the start of the New Year. While the adding machines are just now totaling the figures on the best retail holiday business in years, we look at such headlines in the financial pages as "Railways Show Increased Interest in Buying Steel," "Activity in Building Materials Continues at an Increasing Pace," "Persisting Rise in Electric Power Consumption," "Lower Rates on Deposits to Encourage New Capital Projects." A careful reading of all of these reports would not point to decided boom for 1935, however the observer must be impressed with a gradual change for the better along many lines.

STEEL INDUSTRY: According to the records of the Department of Commerce ingot production advanced during the week ending December 8 to 30 per cent of production. This compares with the same figure for a corresponding week in '33, with 16 for '32 and 25 for '31. The American Iron and Steel Institute reported an increase in the rate of operations from 24.59 in October to 27.76 in November. Tin plate section of the industry continues to be one of the most active, going at 45 per cent of capacity during the past several weeks of the old year. Additional mills have been in readiness to go into production early in January. Several of the larger railways have given out orders for rails during the last weeks in 1934. More orders will be placed early this year, if the large number of inquiries received at the mills are any indication. Middle January, it is expected, will see quite an upturn in orders from the automobile makers. With the New York show out of the way by that time the production schedules for the first quarter at least will be quite established. Structural steel, never very active during the colder winter months, is still at a low figure.

AUTOMOBILE PROSPECTS: Preliminary reports show that assemblies in all plants except those of the Ford Motor Company during November were 62 per cent greater than in the corresponding month last year. Sales to consumers during November were 77 per cent more than last year, General Motors announced. The motor industry is now enthusing over the prospect that when the 1934 production figures are finally totaled they will be the largest since 1930, which was rated as one of the boom years. Talk in the Detroit area now centers on the hope that 1935 will bring a production of three million cars.

RETAIL TRADE: Perhaps as good an index as any as to how this year's Christmas trade surpassed that of last year is to be found in the report of the American Railway Express Company on a big increase in shipment of goods by express during the last few weeks before the holiday. This indicates a quick selling out of stocks. While the final figures on the 1934 Christmas trade will not be available until late in January, reports from various sections indicate that retail trade in general during December was from 20 to 30 per cent ahead of last year. The reports on the holiday business up to the end of November ran from 70 to 95 per cent of the average figures for the 1923-25 period. For example, New York reported 95 per cent, Chicago 80 per cent, and Richmond 101 per cent.

MONEY FOR BUSINESS ENTERPRISES: Action by the Federal Reserve Board late in December in cutting the maximum interest that may be paid on time and savings deposits from 3 to 2½ per cent is considered a move to encourage new capital projects. Headings in New York newspapers anent this event read: "Move Expected to Draw Capital into Investing Field," "Reserve Board Says Purpose Is to Encourage New Capital Projects," "Hope Cut Will Force Cash into Trade."

Score sheet of collection and sales conditions

State	City	Collections	Sales	State	City	Collections	Sales
Ariz.	Phoenix	Fair	Good	N. Y.	Albany	Slow	Fair
Ark.	Little Rock	Good	Fair		Binghamton	Fair	Fair
Calif.	Los Angeles	Good	Good		Buffalo	Fair	Fair
	Oakland	Good	Good		Elmira	Fair	Fair
	San Francisco	Good	Good		Jamestown	Fair	Fair
Colo.	Denver	Fair	Fair		New York	Fair	Fair
	Pueblo	Fair	Fair		Rochester	Fair	Fair
Conn.	Hartford	Fair	Fair		Syracuse	Fair	Fair
	New Haven	Fair	Good	N. C.	Charlotte	Good	Good
D. C.	Washington	Fair	Good	N. D.	Grand Forks	Fair	Good
Fla.	Jacksonville	Fair	Fair	Ohio	Columbus	Fair	Fair
	Tampa	Fair	Good		Dayton	Fair	Fair
Ga.	Atlanta	Fair	Fair		Toledo	Slow	Slow
Ill.	Chicago	Good	Good		Youngstown	Slow	Slow
	Peoria	Fair	Fair	Okla.	Oklahoma City	Slow	Slow
Idaho	Lewiston	Fair	Fair	Ore.	Portland	Fair	Fair
Ind.	Evansville	Fair	Fair	Pa.	Allentown	Slow	Slow
	Fort Wayne	Slow	Fair		Altoona	Slow	Slow
	Indianapolis	Good	Good		Harrisburg	Slow	Fair
	South Bend	Fair	Fair	R. I.	Providence	Slow	Fair
	Terre Haute	Fair	Fair	S. D.	Sioux Falls	Fair	Fair
Iowa	Cedar Rapids	Fair	Fair	Tenn.	Chattanooga	Fair	Fair
	Davenport	Slow	Fair		Knoxville	Good	Good
	Des Moines	Fair	Fair		Memphis	Good	Good
	Ottumwa	Slow	Good	Tex.	Austin	Good	Good
	Sioux City	Fair	Fair		Dallas	Fair	Fair
	Waterloo	Good	Fair		Ft. Worth	Good	Good
Kan.	Wichita	Good	Good		Houston	Good	Good
Ky.	Louisville	Good	Good		San Antonio	Fair	Good
La.	New Orleans	Good	Good		Waco	Good	Good
	Shreveport	Fair	Fair	Utah	Salt Lake City	Fair	Good
Md.	Baltimore	Good	Good	Va.	Bristol	Fair	Fair
Mass.	Springfield	Slow	Slow		Lynchburg	Good	Good
Mich.	Detroit	Good	Good		Norfolk	Good	Good
	Flint	Good	Good		Richmond	Good	Good
	Grand Rapids	Good	Good		Roanoke	Good	Good
	Jackson	Fair	Slow	Wash.	Bellingham	Fair	Fair
	St. Joseph	Fair	Fair		Seattle	Fair	Good
Minn.	Duluth	Fair	Fair		Spokane	Fair	Fair
	Minneapolis	Good	Good		Tacoma	Fair	Fair
	St. Paul	Good	Fair	W. Va.	Bluefield	Fair	Fair
Mo.	Kansas City	Fair	Fair		Charleston	Fair	Fair
	St. Louis	Slow	Slow		Clarksburg	Fair	Fair
Mont.	Billings	Fair	Fair		Huntington	Fair	Fair
	Great Falls	Fair	Fair		Parkersburg	Fair	Fair
	Helena	Fair	Fair		Wheeling	Slow	Slow
Neb.	Omaha	Good	Fair	Wis.	Fond du Lac	Fair	Fair
N. J.	Newark	Fair	Fair		Milwaukee	Fair	Fair
N. M.	Albuquerque	Fair	Fair	Hawaii	Honolulu	Slow	Slow

(Because of distance, Honolulu report is for November)

Collections and sales comments:

San Francisco, California, reports the best Christmas season in years. . . . A survey of representative firms in Denver, Colorado, indicates a tendency toward improvement. . . . The Christmas business in New Haven, Connecticut is showing a decided improvement over last year. . . . A large increase over and above the normal Christmas business has been noted in Chicago, Illinois. . . . The distribution in Detroit, Michigan this month of $84,000,000 of impounded Bank money will help business. There is also a prospect of a very good Holiday season business. Merchants are apparently endeavoring to take full advantage of the opportunity. The automobile industry seems to be setting itself for improved business in 1935. . . . The Christmas trade in Albany, New York is the best in years. Title Two of the National Housing Act looks most promising for the building lines in Spring. . . . Altoona, Pennsylvania reports the Pennsylvania Railroad shops are still working on a short-time schedule in some departments, which is the real hold-up on collections and sales. . . . Ft. Worth, Texas believes sales are on an upward trend averaging around 25% to 30% over the same period for 1933. The increase over October sales is estimated at around 15% to 20% on an average of all lines of trade. This, of course, is due to the increased Christmas trade, which seems to have gotten under way earlier this year than heretofore. . . . A report from Norfolk, Virginia indicates tobacco, cotton, and other farm products bringing good prices have contributed to the pick-up in business in that section. . . . Providence, R. I., reports the majority of manufacturers doing business throughout the country as very conservative in credit granting, inasmuch as there is the feeling that with the close of the year, there may be many failures.

Summary

This month:

Collections:		Sales:	
Good	28	Good	33
Fair	55	Fair	54
Slow	15	Slow	10

Last month:

Collections:		Sales:	
Good	21	Good	19
Fair	54	Fair	59
Slow	17	Slow	14

This month's collection letter:

Submitted for the approval of our readers by

L. F. GIELISH, Bourk-Donaldson-Taylor, Inc., Denver, Colo.

Gentlemen:

Prompt settlements make long and lasting friendship, and we want your friendship. Your statement last week carried a balance of $72.39, and goes back to and including invoice of May 1st.

It is our desire to have our business uniform and to extend the same price and the same treatment to all, which we believe is the correct way to conduct a business.

We ask the cooperation of all our accounts in the matter of published terms, and will expect each account that we have the good fortune of serving to make their remittances within seven days from date of invoice.

Your check for $72.39 will place your account among the seven-day class.

We hope you will arrange to comply with our request.

"Having received so many compliments on the letter that was published under my name in the April issue of the CREDIT AND FINANCIAL MANAGEMENT, I am sending another that has produced wonderful results," Mr. Gielish writes us in sending the letter printed above.

"All of our letters are dictated. We do not use a form letter under any circumstances. By dictating and inserting the customer's name in the body of the letter once or twice, makes it very personal and has an effect in such a way that a check is sent by return mail.

"Ninety per cent of our letters bring in a remittance, and this can only be accounted for in the way of going to the point, revealing the facts and making the communication personal.

"Supplementary to our collection letters, we rely solely on Credit Interchange Reports. This gives us a picture of each account and helps us to obtain a maximum effectiveness along with our collection letters."

CREDIT AND FINANCIAL MANAGEMENT is desirous of receiving successful collection letters from its readers. One of these is published each month. The letters presented may be of any type; the one important requirement being that they have proven successful in actual credit department operations.

Supplementary to your collection letter efforts, there should be reliance on Credit Interchange reports. With Credit Interchange reports before you on each of your accounts, you will attain maximum effectiveness in using the collection letters presented here.

Paging the new books

Reviews of the the important books on business, to aid executives whose reading hours are limited.

This month's business book

A SHORT HISTORY OF THE NEW DEAL. By Louis M. Hacker. F. S. Crofts & Company, New York. $1.75.

In the overwhelming number of recent publications attempting to analyze, describe, or develop the implications of Mr. Roosevelt's New Deal, there have been very few that were statistically complete and yet readable, observing without being partisan, critical without being oppressively opinionated.

Mr. Hacker in this history of the New Deal has developed a short volume of 131 pages that is well written, well documented, and well analyzed. Being a recognized historian of the American scene, a historian who has an excellent grasp of social as well as historical values, he is able to present his views and his findings with pleasing pointedness.

In the course of his excellent analysis, he describes the coming of the New Deal and then analyzes its two phases: the reconstruction of agriculture and industry; the resurrection of the credit structure and regaining of foreign markets. But it is in his final pages, in which he takes up the New Deal in practice, both in agriculture and in industry, that Mr. Hacker brings the account to a series of definite deductions.

He recognizes the obvious facts that while the farmer has had some measure of recovery in his price structure, he has faced an ever greater increase in the industrial price structure, and, therefore, is still a poor second in his efforts to overcome the depression that has hung around his doorstep since the end of the World War.

Voluntarily reducing acreage, Mr. Hacker believes, has been a failure, and the possibility of removing surplus farmers from non-productive efforts on poor farm lands to a form of subsistence homestead similar to that advocated for excess industrial labor is a dream that is overwhelmed in practice by its huge impracticality.

In industry, Mr. Hacker sees the undeniable drift towards greater monopoly accompanied by an increasing belligerency on the part of labor and then he comes to the question—what next?

In conclusion, and in answer to that question, he declares that "only the very sanguine could claim that the New Deal had realized the expectations of its sponsors. Farmers were no better off. Labor's total payroll was increasing, but retail prices were mounting faster, with a resultant decline in real wages. Industrial recovery had climbed rapidly and had fallen almost as rapidly. The capital goods industries were still stagnant and unemployment had been reduced only slightly, while relief expenditures climbed continually. Industry had been cartelized and labor had been unionized. With this development came promise of trouble in the future between these two militant groups."

Inflation, the author believes, has not yet been settled. "With recovery sluggish, unemployment still great, and the burdens of debtors oppressive," Mr. Hacker points out, "attempts might yet be made to force inflation upon the country: perhaps by paying off the soldier bonus, or to retire maturing Federal bonds and notes, or to launch more public works projects, or to finance the social services and relief activities of local jurisdictions verging on bankruptcy."

As to a possible solution in the future, Mr. Hacker does not believe that Fascism is an immediate threat. He believes that at our present state we are nearer another fling at financial and industrial imperialism, so that we can build up outlying countries and develop them as markets for our manufactured and raw materials. But this, the author emphasizes, may well be a blind alley, although of considerable length, and although at the end of the Imperialism road stands war, war enters into almost any calculation for the future.

Summarizing, he asks and answers a question that is coming to the fore continually. "What lay in store for the United States in the next few years: a resurgent Imperialism? Fascism? Proletarian revolution? It was not beyond the range of probability that the New Deal, before it had run its course, might yet be called upon to face one or another of these tests of fire."—P. H.

Mr. Hoover objects

THE CHALLENGE TO LIBERTY. By Herbert Hoover. Charles Scribner's Sons, New York. $1.75.

Unfortunately, it was not possible for us to publish a review of this book by former President Hoover before the November election. When it appeared early in the Fall, it was given much credence as the campaign text of the Republican opposition to the present administration, but the overwhelming support accorded the present administration in both the state and national election in the past November have made his views less significant.

By this, it is not meant that his point of view is not well taken or well presented, but it must be obvious that his political and economic philosophy is not in the ascendant today and, accordingly, whether or not he is right, his outlook is not of great significance at present in view of the surprisingly large vote given to the opponents of the policies he specifically advocates. But in the turmoil of the present-day policy determination, Mr. Hoover's book is worth reading.
—P. H.

Installment procedure

METHODS OF INSTALLMENT SELLING AND COLLECTIONS. By John T. Bartlett and Charles M. Reed. Harper & Bros., New York. $3.50.

Installment selling had a tremendous advance in the decade before the depression. Since 1929 it has shown an excellent record in the matter of installment buyers meeting their contracts.

This new publication by the authors of "Retail Credit Practice" and "Credit Department Salesmanship" is a well-rounded exposition of installment selling practices, collection systems in use in installment selling, financing of installment credit, repossession, terms of payment, extensions, sales promotion and advertising methods. It covers the manufacturing, wholesaling and retailing fields, with more emphasis on the latter than on the former two.—P. H.

BOLSHEVISM, FASCISM AND THE LIBERAL-DEMOCRATIC STATE. By Maurice Parmelee. John Wiley & Sons, Inc., New York. $3.00.

One of the merits of the book is that it has a succinct but very adequate exposition of the three political systems indicated in its title, the soviets of Russia, the fascist regimes of Italy, and of Germany, and the liberal democratic state which prevails in the United States, and in the other capitalist countries of Western Europe.

In his explanation of the soviet regime, the author starts from the Marxian dialectic approach, which is the philosophical basis of bolshevism, and continues down to the widespread bureaucracy which has (*Cont. on page* 41)

"New Deal" legislation

(*Cont. from page* 27)

In selling power, preference is to be given to states, counties, municipalities, and cooperative organizations of citizens or farmers not organized for profit. The government reserves the right, in case of war, to take over all the property of the corporation for the manufacture of explosives or for other war purposes.

The TVA (Tennessee Valley Authorty) is much more than a mere power project. It represents planning on a broad regional scale, in this case covering all or part of seven states. It includes the formation of cooperatives, the selling of electrical appliances at low cost, housing projects, and planning with respect to resources and vocational guidance.

X. International Trade and Finance

The *Reciprocal Tariff Act* of 1934 gives the President the power, for a period of 3 years, to enter into foreign trade agreements without the consent of Congress. In connection with such agreements he may raise or lower existing tariff rates by not more than 50 per cent, the purpose being to lower the bars to world trade that have been intensified so greatly since the early days of the depression.

The *Johnson Act* (approved April 13, 1934) prohibits financial transactions by any person with foreign governments that are in default to the United States. This represents an attempt to force our war debtors to pay their debts to us under penalty of placing an embargo upon the flotation of their bonds in this country.

The *Foreign Trade Zones Act* of 1934 makes it possible to set up free ports in the United States. Such a proposal has been under discussion for many years, and it has often been stated that such zones will accomplish little in the way of stimulating foreign trade since we are not, because of our geographical position, a transit country.

An Act approved March 26, 1934, prohibits exports of (*Cont. on page* 40)

Credit at Home

(*Cont. from page* 10) plans for the exchange of ledger experience information. In making that appraisal there seems to be but one logical basis on which to begin, and that basis seems to be the customer, himself.

Obviously, an exchange of ledger experience information will be most effective and beneficial when it brings together all of the creditors of a given customer regardless of the location of the creditors, the lines of business in which they are engaged, or the location of the customer, himself. Any other plan anticipates division among the creditors. A division of creditors by industries or markets would not be quite so serious and dangerous as having each individual creditor acting independently of all the others, but it will create a division of interest by groups rather than by individuals. If this division begins with the exchange of ledger experience information, it will inevitably follow through in all other credit activities, even to the point where liquidation of a customer's affairs is necessary; and if when that time comes there should appear as many representatives of creditors as there are groups or markets selling the customer, it is very easy to visualize what will happen in the bankruptcy or liquidating procedure.

So long as the Bankruptcy Court makes no distinctions between markets or industries, and obliges all of them to share equally in the proceeds of a liquidation, thus creating mutual and equal interests between them, it seems logical to suggest that the only practical plan for those creditors to pursue is to establish mutual and (*Continued on page* 35)

A henpecked little man was about to take an examination for life insurance.

"You don't dissipate, do you?" asked the physician. "Not a fast liver, are you?"

The little man hesitated a moment, looked a bit frightened, then replied in a small piping voice.

"I sometimes chew a little gum."

Our readers think

I wholly disapprove of what you say and will defend to the death your right to say it.—
Voltaire to Helvetius

"And" or "but"

Gentlemen:

For a long time there has been appearing in CREDIT AND FINANCIAL MANAGEMENT a quotation taken from Voltaire, which you print as follows:

"I wholly disapprove of what you say and defend to the death your right to say it"—Voltaire to Helvetius.

If I am not mistaken the quotation should read as follows:

"I wholly disapprove of what you say *but* defend to the death your right to say it."

Yours very truly,
WALTER C. LECK,
Box 584, Closter, N. J.

Our answer:

In regard to the quotation from Voltaire which you believe should read with the word "but" rather than the word "and" as we print it, may we make the following explanation:

The phrase is included in a letter written by Voltaire to Claude Adrien Helvetius, a French philosopher of the mid-Eighteenth Century. He was a man who occupied one or more posts of responsibility and dignity in the French Government and in the course of his Governmental work (being not as busy as a Governmental employee today) produced a poem called "Le Bonheur." In it he developed the idea that true happiness is only to be found in making the interest of one that of all.

Although this was published posthumously, in some of his published philosophical studies, he made similar statements which attracted immediate attention and aroused opposition. Voltaire was one of those who declared that the works of this writer, Helvetius, were not particularly worthwhile, saying that his work was full of commonplaces and that what was original in his work was false or problematical. It was on this occasion that, in writing to Helvetius, Voltaire's phrase, which we use on our page in which we print letters from readers, was made.

That is the historical background of the statement. As to its further authenticity, we have checked with the New York Public Library, and the library of the New York Herald-Tribune, which we recently learned also publishes this quotation each Sunday on its page in which it prints its letters from readers. Both of these sources tell us that the phrase as translated from the French should read "I wholly disapprove of what you say *and* will defend to the death your right to say it."

We can well understand that Mr. Leck believed it should be *but,* because the first time we came across the phrase, it seemed that *and* was not the correct word. However, on checking it back, you will see, as we did, that *and* is thoroughly correct, but (or and!) merely a usage that is not common in the English tongue in such a case.

Following up correspondence

Gentlemen:

I am always interested in reading the many good articles published in the monthly magazine and have noted that you often describe credit and collection department methods and systems.

Perhaps you would be interested in the system of following up correspondence, especially collection correspondence, which we have used for several years with very excellent results.

All of our stenographers are instructed to make an extra tissue copy of every outgoing letter. They are supplied with a rubber stamp which is imprinted on the tissue copies, indicating among other things the dictator's initials and the date the follow-up is to be brought to his attention.

For more complete information, we are sending you a copy of this letter with the imprint of that stamp on same. The stamp, as you will note, provides for the tissue copy being handed to the collectors or any other department for note and initialing, after which it is sent to the Filing Department and placed in chronological order.

—TICKLER—
RETURN TO FILE CLERK
Following please note, initial and pass to file clerk.

☐ Collector	
☐ Coll. Card	
☐ Bookkeeper	
☐	
Refer with P. C. to	on

On the follow-up date noted, the file clerk takes all the tissues under that date and distributes them to the various dictators, who may then either destroy the tissue if the matter has been tended to completely or may dictate the next letter on the strength of the information at hand. If more information is necessary the previous correspondence or the file itself is brought to the dictator. The old tissue is then supplanted by the tissue of the new letter and the same procedure and routine followed.

If it is decided by the dictator that the matter does not need attention at the time he received the follow-up, he simply sets a new date on the tissue and passes it back to the file clerk to be refiled under the new date which may be five, ten or any number of days in advance.

It is obvious that this system entails very little work as no extra writing is necessary and is, therefore, inexpensive and expeditious as well as being a perpetual check on correspondence and other matters which otherwise could be inadvertently overlooked. The writer uses the same follow-up systems for inter-office memos which come up about one matter or another, thereby relieving the memory of a great deal of unnecessary work.

The writer has tried a number of different follow-up systems but finds this to be the best of all. If you care to publish this letter you may do so. You might think of some beneficial changes.

Yours very truly,
S. O. Safholm
Credit Manager,
Electrical Products Corp.,
Los Angeles, Calif.

AMERICANISM: Permitting lawyers to do things that would be criminal for anyone else.—*Exchange.*

Credit at home

(*Cont. from p.* 33) equal interests at the very beginning—namely, at the time when the account is first investigated and placed on the books of each individual creditor.

Someone has said that unless creditors take action to protect their mutual interests themselves by the development of this practical type of cooperation, the time is not far distant when legislative action will be taken to bring that about. That may be true, but it is assured that a considerable period of time must elapse before that occurs. This practical cooperation is needed. Why should not the creditors recognize the need for it and instead of waiting for legislative action from outside initiate it themselves?

By the establishment of the National Credit Interchange System, the National Association of Credit Men has provided the medium through which all of the creditors of any customer may exchange their ledger experience information on a purely cooperative, actual cost basis, and in such manner and method as they may designate and completely control at all times. That is the essential basis of practical cooperation. There is no other such organization in the field and, in fact, there is no organization other than the National Association of Credit Men around which or through which such an organization might be built.

With the direct inquiry discarded as an impossible method for a free unrestricted exchange of information, and recognizing the dangers involved in splitting the exchange of information up among scores of organizations, groups, industries, markets, and what not, does not Credit Interchange Service offer the best opportunity available to business today to develop an exchange of information on a basis which will not only further reduce losses but will assist in the further development of profitable business for all.

It is to be remembered that the Credit Interchange System is the sole property of wholesale business. The organization is maintained because business wants and needs it. Urging an enlargement of its use is not a matter of selling. A cooperative program such as Credit Interchange Service on which business, itself, has placed its stamp of approval and endorsement cannot be "sold." It should be supported because of its indisputable merit and the need for it.

Notes About Credit Matters

Binghamton A. C. M. aids housing drive

The Binghamton Association of Credit Men believe it is the first organized credit unit to offer active co-operation to its city and county committees in backing up the local program of the Federal Housing Administration. Believing that the people in its area must be intelligently and fully informed before they can take proper advantage of this program, which is calculated to mean so much to trade generally, the Binghamton Association is making a co-operative effort to assist in getting this work before the public.

Therefore, its monthly membership meeting on December 5th was addressed by Mr. A. G. Gertis, Assistant Director of the Buffalo, New York, district of the Federal Housing Administration.

John A. MacDonald, President of the Binghamton Association of Credit Men, introduced the Association's speaker and Miss Bess R. Havens, Secretary of the Binghamton Association, assisted in putting the meeting across in successful fashion.

Education as an adventure

Labeled an adventure in mutual education, a new series of credit forums under the auspices of the Educational Department of the Credit Managers Association of Northern and Central California, at San Francisco, began early in November. Eleven fortnightly lectures are scheduled. Subjects covered include the qualifications of a credit man, credit department management and methods, financial statement analysis, credit managers' collection problems, credit department co-operation, business letters and business English, legal aids for the credit department, credit protection instruments, insurance and credit, and the credit man's part in building sales.

Sound money

(*Cont. fr. p.* 15) others, national budgets are still registering deficits of tremendous figures. Sound money and deficits are inconsistent and, consequently, impossible. If the world continues its present program of unbalanced budgets, sound money will be among the forgotten things.

Credit abroad

(*Cont. fr. p.* 11) improvement in the exchange situation depends upon how fast the United States increases her imports from many of the markets affected, plus a rise in price in world markets of the main commodities produced for export. In addition, the amount of funds blocked need to be taken into consideration as well as the amount necessary for various debt services. Stability of exchange will also tend to improve the situation, but at the moment this possibility seems somewhat remote.

With all the difficulties that the American exporter has been confronted with during the past three or four years, it is an encouraging sign to see that international business has continued in spite of all the arbitrary restrictions conceived in the minds of men to sabotage the free flow of international business.

As Mark Twain said, when some men discharge an obligation you can hear the report for miles!

Governmental functions

(*Cont. from page* 14) during the present fiscal year, a balanced position in the near future should be definitely provided for by governmental policy and, meanwhile, the deficit must be kept within the limits imposed by new savings available for the purchase of government bonds. The continuance of a policy of financing fiscal deficits through the creation of additional bank deposits precludes the possibility of developing a sound monetary system and leads eventually to chaos.

Even though we are living in an age in which the influence of government on business will be much greater than it was in the days of our fathers, fundamental principles of economics still hold true. Unless we remember that, and provide for their application, the new deal may go the way of many other political experiments and leave us floundering in worse plight than that from which we are emerging!

A plan for credit

(*Cont. from p.* 19) certificate could be made the basis for a loan to take care of the payroll and incidental expenses. In most cases enough money could be raised by the firm in question to take care of these two items; but I can see no reason why the prospective profit would not yield enough margin for a limited loan against it, if such a loan should be necessary.

Considering the nature of the transaction, the trustee will frequently be able to determine the time when the supply houses will receive payment in full for their material, and is therefore in a position to issue trade acceptances instead of merely issuing certificates of participation. These trade acceptances would make extremely desirable collateral with the banks, as they are a first lien on a self liquidating transaction that has been approved by several credit managers and is handled in such a way so as to exclude either outright dishonesty or else interference on the part of other creditors. The trustee would be exempt, of course, from any personal liability in connection with these trade acceptances.

Transactions that lend themselves to financing of this kind are necessarily either manufacturing operations or resales of merchandise in its original or in modified form. Commercial deals in which the merchandise is destroyed, such as perishable goods, advertising matter, envelopes, etcetera, do not come under this category. But in the field of resale the scheme may be extended considerably.

Even small stores may take advantage of it. In the case of a store it would have to be understood that the money realized from the sale of different kinds of merchandise would be kept in separate accounts and not to be applied for any purpose except for the payment of the respective bills. If after a certain length of time mutually agreed upon, the merchandise remains unsold, it could be returned to the seller at invoice prices.

The storekeeper, acting as his own trustee, would commit a criminal offense

by diverting these separate funds for the purpose of meeting his payroll, his rent, his personal expenses, or any other obligation. In case he goes bankrupt, the separate accounts kept for the supply houses, plus the unsold merchandise, would be returned to the sellers.

Contractors may avail themselves of this scheme with equal advantage. From the building of a subdivision to the painting of a back porch, each deal could be trusteed and properly financed. In these cases the money received from the assignors had best go directly to the supply houses, who in turn would return to the contractors their accrued profits. This is not meant in any way to reflect on the integrity of contractors; but some of the smaller ones would find it convenient to let the more experienced houses handle the transaction.

Some simple legislation is needed to make the plan which I have outlined herewith a feasible one. This legislation would have to be designed so as to lift a specific business transaction in its entirety from the remainder of the business structure so that it would be independent from any past, present or future entaglements. It would have to stand on its own against all interferences, including actions in bankruptcy. Such legislation should not be an unsurmountable obstacle.

The plan herewith suggested is not designed to be a panacea for all of our credit troubles. It is not offered with the claim that it will end the depression. It is submitted merely in the hope that it may form one of those many small stones that are needed to pave the way back to normalcy or better. The inauguration of the idea would cost nothing; the expense of these trusteeships would be practically nil; and if found unworkable the whole suggestion could be abandoned without loss. But in its wake the scheme may bring an immeasurable increase in human happiness among those for whom the sun apparently has ceased to shine; and furthermore, it may lead to a permanent modernization of our credit system in favor of the financial underdog, and in the long run for the benefit of all.

The underdog

"Where you been?"
"Swimming with Joe."
"But Joe can't swim."
"No? Then he sure can stay under long."

—Mercury

Credit careers

W. C. Grimmer

When the Editors of CREDIT AND FINANCIAL MANAGEMENT contacted R. C. Creviston, Secretary of the Northern Wisconsin-Michigan Association of Credit Men at Green Bay, Wisconsin, and asked for a biography of W. C. Grimmer of the Joannes Brothers Company, there was received a summary, in which C. J. Renard, the Association's president, had jotted down the following notation as his idea why Mr. Grimmer has always been such a valuable asset, not only to his company, but to his Association:

"1. His character.

"2. His untiring effort in behalf of the Association and its activities.

"3. His willingness to give his time freely whenever and wherever called upon.

"4. His loyalty to the policies of the Association.

"5. His foresight in planning the Association policies and activities.

"6. His thoroughness in planning activities and policies.

"7. His knowledge of the needs and necessary improvements for bettering the Association's services.

"8. His contact with the membership outside our local Association, which gives us invaluable assistance in our planning."

That presents in some measure W. C. Grimmer, who has lived in DePere, his birthplace, and Green Bay all his life since graduation from the grade schools and high school at West DePere, Wisconsin.

He first entered the office of the Dousman Milling Company as a clerk in the year 1893. Through the recommendation of Mr. Dousman and G. A. Kustermann—also affiliated with the company—he secured a position as bookkeeper with Meyers & Straubel, wholesale cheese and produce dealers, Green Bay, in the year 1896.

In the year 1899, he entered the employ of Joannes Brothers Company—now one of the largest wholesale grocery houses operating in Wisconsin and Upper Michigan—as assistant bookkeeper. In 1904 he was given charge of accounts receivable and in 1910 was promoted to cashier and accountant in charge of the general ledger. In 1912 he was given additional duties as assistant credit manager.

In 1922 he was promoted to credit manager and elected a member of the Board of Directors of the Joannes Brothers Company.

During his service with his company, he has spent a great deal of his time in assisting the company's customers in their credit problems. Much of his time is spent out of the office each year, traveling with company men in an effort to educate the retail trade to improve their credit standing.

Mr. Grimmer has always taken an active interest in the National Association of Credit Men, being one of the organizers of the Northern Wisconsin-Michigan Association, formerly the Fox River Valley Association of Credit Men.

Since its organization in 1910, he has held all of the elective offices of the Association, has served as a State Counsellor a number of times, and in 1933 was elected a member of the Board of Directors of the National Association of Credit Men for a three-year term.

He is well known in the credit fraternity of Wisconsin and Upper Michigan, and is a familiar figure at local, state and national meetings.

Our capacity to consume

(*Cont. from page* 9) for these services. If the incomes of all were raised so as to afford the maximum consumption, the demand for personal services would be so great and the supply so limited that this alone (*Continued on page* 39)

Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Insurance question box

Q. What are the advantages of an insurance company's parcel post policy over government parcel post insurance?
A. H. D.

A. The advantages may be outlined as follows:

At the Post Office
with government insurance

1. Awaiting receipts at the Post Office for parcel post shipments consumes much time.
2. Receipts can be lost between the Post Office and your office.
3. The Post Office charges 10¢ for insurance on packages valued between $5 and $25.
4. The maximum liability which the Post Office will assume on any one parcel is $200.
5. When losses occur claims must be made and adjustments handled at the Post Office.

In your office
with a parcel post policy

1. No time lost awaiting receipts at the Post Office—shipments are insured in your office.
2. Insurance record remains in your office. No chance of its being lost.
3. You save 5¢ per package on shipments valued between $5 and $25 as the rate is 5¢.
4. Higher limits up to $500 can be obtained under the policy.
5. Your agent is notified of any loss and without leaving your office prompt adjustments are made.

From the standpoint of saving time, trouble and money the value of an insurance policy over government insurance is obvious.

Globe and Rutgers resumes business

Wednesday, December 5th, saw the resumption of its insurance business by the Globe and Rutgers, suspended during the twenty months the company has been in rehabilitation, when Supreme Court Justice Alfred Frankenphaler, of New York, signed a final order releasing it from the custody of the New York State Insurance Department. The company praised the work of George F. Van Schaick, Superintendent of Insurance in New York State, and his department, in the rehabilitation and the "understanding and helpful attitude" of Justice Frankenphaler. The firm had discontinued operations early in 1933.

Annuities

Explaining the annuity type of insurance in Harper's, Paul Tomlinson recently wrote that "annuities are a form of investment designed to provide the largest possible income return to the purchaser, for the remainder of his life. Principal and interest earnings are used up in the accomplishment of this purpose.

"In 1920 annuity premiums paid to ten companies were 4% of life insurance premiums; in 1933 this ratio had increased to 83%. People seem to be accepting the idea that there is no point in working long hours until they die; they like the thought of leisure in their old age. Also, in growing numbers, people are ridding themselves of investment problems by turning them over to insurance companies.

"There are various kinds of annuities. The basic annuity pays an income for life, with no refund at death, and because there is no refund it provides the largest income return.

"Annuities may be purchased with one payment, a single premium, which naturally calls for a substantial investment. These single premium annuities are divided into two types, immediate and deferred. The 'immediate' calls for income payments to commence at once, the 'deferred' at any later date desired, but usually (*Cont. on page* 45)

Our capacity to consume

(*Cont. from p.* 37) would be a powerful check upon productive capacity.

Under existing standards most of us would like to have two or three servants. But if the servants too were to have two or more servants there would not be enough servants to go around.

By the way, this inverse relationship between the supply and demand for personal services which would accompany a growing and evenly diffused prosperity, more or less casts a shadow of doubt upon the optimistic calculations of those who assert that under a different industrial arrangement we would be able to give each individual an income equivalent to $20,000 in 1929, with greatly reduced hours of work.

Just think what proportion of your $20,000 you would have to pay to your barber if he too were to get $20,000 per annum for four hours of work during 165 days in a year for 20 years of productive life.

The first question is: "IS AMERICA'S PRODUCTIVE CAPACITY EXCESSIVE; ECONOMICALLY, TECHNOLOGICALLY?"

In the light of our discussion, the answer is obviously "NO," although we must admit that our economic system has not demonstrated very great aptitude in utilizing this capacity. In other words measured by performance we have a great deal of slack and waste. If the adequacy of our productive capacity is to be gauged by our desires and aspirations for the highest standard of living, we must conclude that our productive capacity falls short of our needs.

The second question is "WHY CAN SOME INDUSTRIES PRODUCE SEVERAL TIMES THEIR PREVIOUSLY ATTAINED MAXIMA?"

I assume that this question does not anticipate expansion of plant, equipment, and labor force, and that the postulated increased production is per unit of cost. Unless I miss the point of the question I would say that this is true only in rare cases. It happens chiefly when an industry is new and there is still a great deal of room for technological and economic adjustment. After an industry has found its pace with respect to standardization and demand for its products, the growth in productivity is generally rather slow, barring of course revolutionary developments.

As far as sheer capacity is concerned, without regard to cost, any industry can expand production on short notice, first by using its existing plant to full capacity and second by building new plant. In other words, any one industry, when pressed by demand, can take up its own slack as well as draw upon the slack existing in other industries.

The third question is: "WHAT ARE THE EVIDENCES OF PRODUCTION DISEQUILIBRIA?"

In its study of productive capacity in 1929 the Brookings Institution found the degree of utilization of plant capacity differed widely from industry to industry. For instance in the production of steel approximately 100 per cent of the capacity was used; in textile machinery only 58 per cent; in clothing and automobile tires only 76 per cent; in flour milling about 53 per cent; and in the manufacture of locomotives only 45 per cent.

These figures, which refer to plant capacity only, are (*Continued on p.* 43)

In the smokeroom of the big hotel the Scot had been boring everyone with tales of the great deeds he had done.

"Well now," said an Englishman at last, "suppose you tell us something you can't do, and, by jove, I'll undertake to do it myself."

"Thank ye," replied the Scot, "I canna pay ma bill here."

Louisiana moratorium

(*Continued from page* 26)

The Moratorium permits a debtor to obtain relief against one or more creditors or all of them. Should relief be asked for against one creditor or several creditors it will evolve upon those interested to appear and show cause why the debtor should not be given the relief prayed for.

This Act is in direct contradiction to the policy followed by the Adjustment Bureaus of the National Association of Credit Men in that it permits the debtor to remain in charge of his assets without creditor control or supervision, with no one to whom to account, with no checking of the cause or causes which lead up to his embarrassment, with no plan for monthly or periodic payments to amortize the debts or no committee to whom an accounting should be made at monthly or stated periods.

With the debtor in possession of his assets to dispose of them as he sees fit and with his credit completely restricted it is reasonable to assume that some debtors will live out of the assets remaining in their control until they are completely dissipated, leaving nothing but an empty shell to turn over to the creditors at the expiration of the moratorium, or long before that time.

The act permits a debtor to continue in business and under the secrecy proposed by the Debt Moratorium Commissioner creditors should protect themselves by making more diligent use of Credit Interchange Reports before taking on new accounts or adding new transactions to accounts already in existence.

It is easy to foresee how with a debtor operating under a moratorium and a given number of creditors bound by the judgment or ruling of the Debt Moratorium Commissioner for that debtor to seek other credit fields and in a comparatively short time have a second set of creditors. Should the debtor fail to pay any of the new creditors, that is, for debts contracted subsequent to November 16, 1934, and a suit be filed by any one or more of those new creditors followed by judgment and execution the old creditors would be bound by the moratorium and could take no steps to protect themselves. Unless and until they first apply to the Debt Moratorium Commissioner to reopen the case and endeavor to have the Moratorium set aside upon the grounds that their rights were being jeopardized thru the execution of the judgment of the new creditors.

Quoting from Section 10 of the Act, "During the period that any suspension granted by the Debt Moratorium Commissioner under this act is in force and effect, all laws relating to prescription of the debt involved in such suspension shall be suspended in so far as concerns such debt, and during any period that any order of the debt Moratorium Commissioner is in force and effect prescription as to the debt involved in said order shall be interrupted."

Section 11 applies to creditors holding chattel mortgage, "no postponement, suspension or extension shall be ordered under conditions which, under the temporary emergency, would substantially diminish or impair the value of the contract debt or obligation of the person against whom the relief is sought, without reasonable allowance to justify the exercise of the police power hereby authorized and the power of suspension of laws hereby conferred upon the Debt Moratorium Commissioner.

The Commissioner proposes to consider each case upon its individual merits

(*Continued on page* 45)

"Farrell in '36"?

Applause in the direction of Providence, Rhode Island, is in order for Henry T. Farrell, Executive Secretary of the Rhode Island Association of Credit Men. In the recent November election, Mr. Farrell was re-elected for a term of two years to the Providence City Council. It is interesting to note that Mr. Farrell was one of the very few Republicans elected to office and especially interesting in view of the fact that he ran well ahead of his ticket.

And now that the G.O.P. is looking for potential Presidential timber, may we take this opportunity to suggest it turn its investigation in the direction of Providence. "Farrell in '36" is a good slogan, if we may be allowed to suggest one.

"New Deal" legislation

(*Cont. from page* 33) products that have received aid from the Reconstruction Finance Corporation from being shipped in other than American vessels.

XI. Federal Finance

The abolition of prohibition patched up a badly moth-eaten Federal Treasury, and the devaluation of the dollar, yielding a two-billion-dollar profit to the Treasury, did much to correct the unbalanced budget of 1933-1934.

The *Economy Act,* approved March 20, 1933, tightens up on the pension system which has long been one of the major leaks in the Federal Treasury, and confers the blessings of a salary cut on all federal employees. In order to allay the fears and objections which the passage of the Act aroused, it is provided in the *Independent Offices Appropriation Act* of 1934, that the rates of compensation for service-connected disabilities are not to be reduced by more than 25 per cent, and that in no event is death compensation now being paid to widows, children, and dependent parents of deceased World War veterans to be reduced or discontinued.

Congress bolted the President on March 28, 1934, by overriding his veto of the *Independent Offices Appropriation Act* of 1935. The effect is to restore two-thirds of the salary cut to federal employees and to restore certain of the payments to veterans. It is estimated that the overriding of the veto added about $230,000,000 to the budget estimates of the President for this fiscal year 1934-1935.

The necessity for "coverages"

(*Cont. from p.* 23) by companies and it was necessary for legislators to change the law in some states to permit them to do so. Public demand for insurance protection against the more serious losses, however, recently brought about the general acceptance of the endorsement mentioned in the preceding paragraph.

This endorsement can be used only in connection with Riot and Civil Commotion cover. Under its provisions the assured cannot collect for the breakage of building glass and must bear the first $500.00 of any other loss due to vandalism and/or malicious mischief. Losses from fire and theft are not covered.

Most Explosion and Riot and Civil Commotion property damage policies are written with the 50% Coinsurance Clause requiring at least 50% insurance-to-value, and the rates charged contemplate this clause. If the purchaser prefers, all classes may be written with the 25% Coinsurance Clause, however, at a 35% increase in rate. Certain fire resistive risks may be written with the 10% Clause at a further increase in rate. On the contrary substantial rate reductions are granted for the use of higher coinsurance.

The rates for Explosion insurance are based entirely on class occupancy and are uniform for all types of construction without regard to exposure. Owing to the fact that the Riot policy covers fire damage as the result of riot and civil commotion, the rates for this cover follow the class occupancy but vary with types of construction, i.e., fireproof, brick or frame.

Riot rates contemplate normal conditions. Riot insurance purchased during a strike or similar emergency must be written at trebled rates. The cost of inusrance already existing or being renewed is not affected by such emergencies. The Riot policy is non-cancellable by either party to the contract for a period of ninety days from inception date.

Both the Explosion and the Riot and Civil Commotion policies limit coverage on breakage of building glass to 10% of the value of the building. Where it seems necessary this limit may be waived for a slight additional premium.

Consequential loss and damage to stocks of merchandise caused by change in temperature may be included in Explosion or Riot and Civil Commotion policies by increasing the class rate 50%.

In addition to the property damage forms, both Explosion and Riot and Civil Commotion insurance may be written to cover other insurable interests such as Use and Occupancy (this coverage provides the insured with the same net earnings that the business would have enjoyed had no interruption been caused by loss), Profits and Commissions on finished goods, Rents and Rental Value, Leasehold Interest, Common Carriers' Legal Liability, etc. It is also possible to insure stocks of merchandise in several locations under floater and reporting cover forms. Rules and forms applying to these coverages usually follow the rules and forms standard for fire.

The nature of the Inherent Explosion hazard in certain classes of risks such as chemical works, cereal mills, gas plants, dyeing and cleaning establishments, etc., sometimes renders it difficult to distinguish between fire losses and explosion losses. Recognition of this fact led to the adoption of the Inherent Explosion Clause which may be endorsed on fire insurance policies covering the risks of certain classes having a generally recognized inherent explosion hazard to protect the property owner against only the inherent explosion feature.

A nominal charge for the use of this clause is incorporated in the fire insurance rate. Assureds having the Inherent Explosion Clause attached to their fire contracts may purchase full Explosion or Riot and Civil Commotion coverage, excluding inherent hazard at reduced rates, thus completing their explosion or riot and civil commotion cover.

Banks, mortgage companies and other institutions issuing mortgages on dwellings, mercantiles and farm properties, may cover their first or second mortgagee interest in such properties against loss from either explosion or riot and civil commotion under special forms at moderate cost. These forms require insurance equivalent to at least 25% of all the outstanding loans on the classes of property mentioned. Manufacturing risks are excluded from the cover.

This insurance is particularly valuable in districts which depend on one or two large industries likely to be subject to widespread labor trouble. Coal mining, steel and textile centers may be mentioned as typical.

Owners of dwelling houses not exceeding two families may purchase what is known as the Additional Hazard Supplemental Contract, which can be written only in conjunction with a fire insurance policy and for the same amount as that policy. This rider extends the fire insurance policy to also cover all direct loss from (1) Windstorm, Cyclone, Tornado and Hail, (2) Explosion, Riot, Aircraft and Self Propelled Vehicle, (3) Smoke Damage. Special rates are charged for each additional cover with further reduction for combined coverage.

This summary of Explosion and Riot and Civil Commotion insurance was prepared in the belief that it would be helpful to insurance buyers and to apprise them how to obtain the protection which their business needs require.

Reviewing the isms

(*Cont. from page* 33) Russia in its grip. Although he seems friendly to the soviets, he is objective enough to point out the errors in procedure which the bolshevists have committed and are committing in their attempts to establish socialism. In the same manner, he is objective enough in his explanation of the mechanism of the Italian corporative state, and of Hitler's third Reich. For this reason, it can be used as an elementary handbook by any one who wants to get an insight into these systems.

According to this author, however, the liberal democratic state is not a very satisfactory instrument for the solution of the present maladjustments. He believes that some form of functional organization, with science and technology as its basis, will eventually arise to solve the problems which beset these three systems. —E. G. Pappastratis

Speaking of a tendency among Osage Indians to buy motor cars with their oil royalties, wasn't the original rumble seat rider a papoose?

Tommy: "Mother, let me go to the zoo to see the monkeys?"

Mother: "Why, Tommy. What an idea. Imagine wanting to go to see the monkeys when your Aunt Betsy is here."

Railroad Agent (dining at a small-town hotel): "Why does that dog sit there and watch me all the time?"

Waiter: "You've got the plate he usually eats from, sir."

Answers to credit questions

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in Credit and Financial Management. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

N. J. compensation

Q. I will be interested in knowing what the provisions of the New Jersey Workman's Compensation Law are in case of an accidental death of an employee of a corporation while in the performance of his duties.

A. The New Jersey Compensation Law requires all employers to insure in private companies or to provide self insurance. As to private companies, compliance with the law is elective on the part of the employer. Such election is presumed in the absence of written notice to the employees. If an employer does not elect to come under the Compensation Law, the Common Law defenses such as assumed risk, contributory negligence, etc., are abrogated.

The benefits in case of death are as follows:

Where the deceased has dependents, burial expenses to the sum of $150.00; 35%-60% of wages for 300 weeks, with a maximum of $20.00 per week, and a minimum of $10.00 per week, or the actual wages. If there are no dependents, the benefits ar burial expenses with a maximum of $150.00 and expenses of last sickness with a maximum of $100.00.

A notice of claim should be filed within 14 days after the date of death, or within 30 days if no prejudice has resulted to the employer, and claims are absolutely barred after 90 days. Forms for filing claims may be obtained from the Department of Labor, Commissioner of Compensation, Trenton, N. J.

Landlord liens

Q. Will you kindly let us know in what states landlords have a preference in bankruptcy for the balance due on a lease and for any additional time. We are well aware that they have a preference in certain states, not only for the term of lease, but for six months thereafter, but as this applies only in certain states, we would like complete details of all states.

A. Complete information about landlord lien laws in the several states is to be found in the 1935 edition of Credit Manual of Commercial Laws, just off the press. This book is published by the National Association of Credit Men, One Park Avenue, New York City. You will find practically every law affecting credit and collection transactions covered in this new edition. It is our conviction that every businessman should have a copy of this new book for ready reference. The extensive chapters on insolvency are alone worth the price of the book.

Marshal's jurisdiction

Q. In the past couple of months we have received letters from two different debtors located in New York City, with the statement that they were both sold out by the United States Marshal, one on a rent claim and the other on a judgment for a merchandise bill.

Will you please advise how such proceedings come under the United States Marshal; in other words, what practice is employed in New York City covering such proceedings, and by whom are they handled? Here in Pennsylvania our Alderman or Constable handle such proceedings.

A. You have undoubtedly confused the United States Marshal with the City Marshal. The property in both cases was undoubtedly sold by a City Marshal, acting under a judgment of the Municipal Court of the city of New York. The United States Marshal would have no jurisdiction in a rent case, and on a judgment for merchandise would not be the levying officer, unless the judgment was obtained in the United States District Court.

The jurisdiction of the United States District Court is limited to actions where the amount involved is at least $3,000, and the plaintiff and the defendant are residents of different States.

Legal advice

Q. We are quite interested in the questions and answers regarding legal advice given in the column "Answers and Credit Questions," in the November issue of Credit and Financial Management.

You quote the penal law of the State of New York which prohibits any lay individual from rendering legal services or giving legal advice. We are particularly interested in this question as regards the drawing of contracts.

Under the law, is it permissible for any lay individual to draw up a legal contract for a third party or, for that matter, for an employer.

We believe that it is standard practice for most credit departments to draw a lot of contracts, but are wondering if in so doing, we are violating any statutes.

We are also wondering whether there is any definite line of divisions between the actual giving of legal advice or legal services and the giving of an opinion with reference to any certain case. Would the giving of legal advice have to be an interpretation of the statutes?

We would be glad to have this question discussed a little more fully along the lines indicated above.

A. The precise application of the provisions of the New York Penal Law prohibiting the practice of law by laymen, corporations, and associations cannot be briefly or categorically stated. Some of the questions that arise under these statutes have never been decided.

I think I can safely state, however, that a contract can legally be drawn for a corporation by one of its own employees, provided the corporation itself is a party to the contract and the employee does not ask for or receive pay from the corporation for the express purpose of drawing the contract. A corporation can act only through its agents, and any person or corporation may itself draw a contract to which it is a party.

As to furnishing opinions with reference to particular cases, any layman may, as a layman, express his opinion as to the law applicable to a given situation, but he may not give legal advice as such. In other words, if a layman is consulted about a question of interpretation of a contract, he may give his opinion, stating at the time he does so that it is given as a layman, and not as a lawyer. The fact that no compensation is charged by the layman for his advice, and that he does not pose as an expert on the law in giving advice, are factors which would distinguish such advice from legal advice.

Foolishment

King Arthur: "Lancelot, old bean, how much'll you take for your suit of armor?"

Lancelot: "Three cents an ounce—it's first class mail, boss."

Our capacity to consume

(*Cont. from p.* 39) of course, not as significant as the economic disequilibria which can not be measured statistically. The existence of unused plant capacity if it is accumulated gradually may be an indication of wasteful expansion or it may be the result of rapid technological development which is usually accompanied by a high rate of obsolescence. In either case, the unused plant merely represents a failure to make effective use of the products of our labor. The sudden disequilibria between productive capacity, i. e. the readiness to supply, and demand for goods are more serious, since they involve sudden displacement of labor force resulting in unemployment.

It is when plants are built and labor is attracted to man these plants on the basis of a demand that cannot be sustained that the disequilibrium is really serious.

It is my feeling that we tend to overemphasize the seriousness of unused plant capactiy as an active factor of economic disequilibrium. The existence of a technologically efficient plant in a location where it cannot be used economically, represents merely a regrettable waste. It is, however, non-existent in so far as the productive capacity of the nation is concerned. As a matter of fact physical plant is, in this country at least, not a fair measure of productive capacity.

The existence of engineering skill, material resources, and labor force is more important. With these in abundance physical plant can easily be expanded. The economic factors which prevent us from using our energies are more important in setting limits upon capacity. In the five years of depression the nation has lost through unemployment at least 75 billion dollars. This sum would be more than sufficient to replace all existing productive plant and equipment, including manufacturing, transportation, and agriculture.

The fourth question relates to capacity to consume and standards of living. We have already indicated that from a physical standpoint our capicity to consume is many times as great as our demonstrable capacity to produce even under conditions more favorable than those which existed in 1929.

The status of our "effective" capacity to consume, that is our consumptive capacity backed by purchasing power, is not so favorable. The income of the American people in 1929 was only about $700 per capita. At present it is of course much less. Moreover the income is distributed very unevenly. More than 70 per cent of the families (nearly 20 million) had less than $2,500 of income, 60 per cent had incomes less than $2,000, and as already stated, over 20 per cent or nearly 6,000,000 families had less than $1,000 and more than 2 million families lived on less than $500.

Geographically too the distribution of income was highly uneven. While in New York the per capita income, exclusive of capital gains, was more than $1,200, in South Carolina it was only about $260.

The fifth question reads: "ARE OVER-CAPACITY TO PRODUCE AND UNDERCAPACITY TO CONSUME REAL AND DEMONSTRABLE PHENOMENA?"

All I can say in answer to this is that over-capacity to produce and under-capacity to consume are not real phenomena. Unless properly defined, they are meaningless abstractions.

I hope you will excuse me from answering the last question which relates to the future of capitalism. My competence as a prophet is very limited. I am sure many of you have better guesses than I have.

Court decisions

Where goods were sold by sample under contract providing for giving trade acceptances on delivery and were held in warehouse by seller, buyer held entitled to inspect goods before accepting delivery, and seller's refusal to permit inspection prevented recovery of damages for nonacceptance. (Personal Property Law, 128, subds. 1-3). *Kaplan* v. *Krauss*, 271 N. Y. S. 13, 151 Misc. 123.

Action by trustee in bankruptcy to set aside alleged preferential transfer. Bill of complaint dismissed. A Trustee in bankruptcy may recover a transfer of property of a bankrupt, made within four months period mentioned by the Bankruptcy Act, Section 60 (II U. S. C. A., Section 96), upon proof of the following facts:

(1) That a transfer of a property of the debtor has taken place.
(2) That the debtor at that time of the transfer was insolvent.
(3) That the transfer was made within four months before the filing of the petition in bankruptcy, or after the filing and before the adjudication.
(4) The transfer must enable the creditor to obtain a greater percentage of his debt than other creditors of the same class.
(5) The person receiving it must have had reasonable cause to believe that the enforcement of the transfer would effect a preference. (See Collier, 13th Ed., p. 1247 (a); Am. B. R. Digest, Section 482.)

Held, that the proofs in the instant case did not establish that defendant had reasonable cause to believe that the enforcement of the transfer in question would effect a preference, as defined by the Bankruptcy Act. (See Collier, 13th Ed., p. 1315 (i); Am. B. R. Digest, Section 514.) *Knauer* v. *Clevenger*, 26 A. B. R. (N. S.) 49.

Appeal and cross-appeal from an order of the District Court of the United States for the Southern District of California, Central Division, allowing a claim. Modified. Under the California statute (Civil Code, Section 1670, 1671), providing that provisions for liquidated damages, as well as penalties, are void, except in the case where "it would be impracticable or extremely difficult to fix the actual damage," a claim is not provable against the bankrupt estate of a lessee upon a provision in a lease that in the event of a forfeiture and re-entry (because of bankruptcy of the lessee) the lessee shall be liable in an amount equal to the difference between the rent reserved and the reasonable rental value of the premises. The measure of actual damages is fixed in California as the difference between the rent reserved in the lease and the rent received by the landlord after forfeiture, provided that he proceeds in good faith and with diligence to relet the premises for and on account of the tenant. (See Collier, 13th Ed., pp. 1409 (II), 1422 (I); Am. B. R. Digest, Section 837.) *Moore, Jr.,* v. *Investment Properties Corporation,* 26 A. B. R. (N. S.) 175.

Appeal by plaintiff from a judgment of the Circuit Court for Grant County in favor of defendants in an action brought to recover on four checks. Affirmed. A contract is not deemed consummated by a deposit in the mail of a letter accepting an offer, so long as the sender has a right to withdraw the letter. The mailing of a letter of advice and credit by a bank on which checks were drawn, advising the bank which had forwarded them that they have been paid, is not an acceptance of the checks by which the drawee bank is bound where the letter was subsequently withdrawn by it from the post-office. A drawee bank receiving checks through the mail is not bound thereon until it has done something which is the equivalent of paying the checks or accepting them as a credit to the account of the remittor. The entry of checks forwarded by mail for payment, on the check journal, and cash sheet of the drawee bank, without entering them on the ledgers either as a charge against the account of the drawer or as a credit to the account of the remittor, is insufficient to establish an acceptance thereof. *Guardian National Bank* v. *Huntington County State Bank.* (—Ind.—, 187 N. E. 388.)

Appeal by defendant bank from a judgment of the Circuit for Brown County in favor of plaintiff against it, in an action brought to foreclose a mortgage executed by defendant Patton. Reversed with directions. Oral evidence is inadmissible to show that the indorser of a note guaranteed its payment, since such evidence operates to vary or modify the legal effect of the indorsement.

The rule that parol evidence is inadmissible to vary a written contract does not operate to exclude oral evidence that the indorser of a note entered into. a separate and distinct contract to buy back the note at any time when requested to do so by the purchaser. *Shea* v. *Patton.* (—Wis.—, 250 N. W. 424.)

Appeal by defendants from an order of the Court of Chancery granting an injunction pendente lite in a suit to enjoin acts of picketers in furtherance of a strike. Order modified. The provisions of the National Industrial Recovery Act preserving to employees the right to submit their grievances and demands to the employer through representatives of their own choosing, and affording means to effect mediation of alleged grievances against their employer before impartial mediators, do not operate to outlaw strikes. The National Industrial Recovery Act should receive a sensible interpretation, one that will not lead to injustice, oppression, or an absurd consequence; and the reason and spirit of the law should prevail over its letter. The National Industrial Recovery Act does not impose upon employees the obligation to accept the minimum rates of pay or maximum hours of labor approved or prescribed by the President, but leaves them at liberty to bargain, individually or collectively, for a higher rate of pay and hours of labor less than the maximum so designated. The right reserved to employees by the National Industrial Recovery Act to bargain collectively through representatives of their own choosing is not limited to bargaining through representatives selected from among their own number. The National Industrial Recovery Act (in providing for the mediation of disputes between employers and employees, does not make a resort to mediation a condition of the right of employees to strike for the enforcement of their demands. *Bayonne T. Corp.* v. *American Fed. of Silk Workers.* (—N. J.—, 172 A 551.)

FRANK D. BITTNER

Frank D. Bittner, first President of the Lehigh Valley-Berks Credit Association, Allentown, Pennsylvania, died at his home in Allentown early on Saturday, December 1st. He was in his 78th year.

In a long and varied career, Mr. Bittner had been a partner in the firm of Bittner, Hunsicker and Company of Allentown, which was an established firm in the retail dry goods line when he joined it and gradually developed its activities to include wholesale and retail business, finally growing to such an extent that it became a wholesale firm altogether. He was an active partner in the concern until his last illness.

His half century of business experience fitted him for other fields as well. He was one of the organizers of the Merchants' National Bank of Allentown, serving as Member of the Board of Directors and Executive Committee and was a vice-president at the time of his death.

His interest was also strong in civic, welfare, and religious activities. He was a member of the first Board of Trade of Allentown and later of the Allentown Chamber of Commerce of which he became a member of the Board of Directors and also served as Treasurer.

As first President of the Lehigh Valley Association of Credit Men, he was a strong influence in its later affiliation with the National Association of Credit Men. He was also a member of the Executive Committee of the Wholesale Dry Goods Association of New York, the Allentown Community Chest, the

Family Welfare Association, and the Children's Aid Society of Allentown.

In religious affairs, he was prominent in his city. Active in the affairs of the Evangelical Lutheran Church of America, he was instrumental in the organization of three Lutheran congregations in Allentown, assisting in the formation of St. Michael's Lutheran Church, which he served as Superintendent of the Sunday School for a period of twenty-five years. He also assisted in organizing St. Stephens Church and, later, Christ Lutheran Church.

The deceased was a member of the Board of Directors of the Mt. Airy Theological Seminary in Philadelphia and a member of the Executive Committee of the United Lutheran Church of America.

Mr. Bittner is survived by his widow, five children, two brothers, twelve grandchildren and two great-grandchildren. His son, Warren E. Bittner, is a member of the Board of Directors of the Lehigh Valley-Berks Credit Association.

Annuities

(*Cont. from page* 38) not after the purchaser has reached the age of seventy.

"Annuities also may be purchased with annual, semi-annual, quarterly or monthly premiums, just like life insurance. This arrangement usually appeals to the person not yet in a position to retire from business. Some people carry endowment insurance with the idea of using the proceeds of the policy when it matures for the purchase of an 'immediate' annuity and, if the purchaser elects he can arrange for a somewhat smaller income return with the provision that if death occurs before the full principal has been repaid the balance will be refunded in cash.

"There is the annuity which is payable as long as either of two annuitants survives. This type of annuity guarantees an income for life to both husband and wife, for instance. An annuity may be purchased with or without a cash refund up to a certain age, and with cash and loan values and death benefits in addition. An annuity will do practically anything you want it to do.

"There are many classes of people for whom some form of annuity or retirement policy is appropriate. People of wealth can provide for their relatives, and then by investing the balance in annuities enjoy a much higher income than gilt-edged bonds or stocks can ordinarily produce. To the person with a limited estate an annuity may make the difference between restricted income and a comfortable living. The business man, or woman, who purchases an annuity is assured of an infallible future income and can assume risks which otherwise might not be justifiable. People who have inherited a sum of money will find that an annuity answers the question of how to invest it. Executors or trustees directed to pay definite incomes to beneficiaries of the estate may be permitted, on order of the court, to purchase an annuity to accomplish that purpose."

CFM "It's an ill wind"

(*Cont. from page* 20) and Louis Renner 30 days.

On the second count, concealment of assets and a violation of the National Bankruptcy Act, Wind received a two-year suspended sentence; Rosen, Moncher and Sabele suspended sentences of 18 months and the other eight defendants suspended sentences of one year and one day.

The prosecution of this case by Assistant U. S. Attorneys Leo Fennely and Charles Wagner was commended by those creditors involved, a number of whom sat in at the trial.

CFM Louisiana moratorium

(*Continued from page* 40)

and to either obtain a return of the articles covered by the chattel mortgage or probably recast the debt to proportions which the debtor can take care of without inconvenience.

The impression created by the newspaper reports and radio announcements should be corrected. The law does not mean that a moratorium exists on all debts. It only applies to cases where the debtor makes application. Responsible concerns with ample capital and financial backing and who value their credit as their chief asset will continue to carry on as heretofore without invoking this aid which in the opinion of business men was untimely and unnecessary.

"My husband and I attend to our budget every evening. It is more economical."

"How so, dear?"

"By the time we get it balanced, it is too late to go anywhere."

Roster of N. A. C. M. affiliated associations

as of Dec. 10, 1934

ALABAMA—*Birmingham*—Birmingham Credit Men's Ass'n., 321-325 Lincoln Life Bldg.

ARIZONA—*Phoenix*—Mr. Lyle N. Owens, Secy.-Mgr., Arizona Ass'n. of Credit Men, 314 Title and Trust Bldg.

ARKANSAS—*Little Rock*—Mrs. L. Periman, Secy.-Mgr., Little Rock Ass'n. of Credit Men, 220 Gay Bldg.

CALIFORNIA—*Los Angeles*—Mr. S. P. Chase, Secy., Los Angeles Credit Men's Ass'n., 111 W. 7th St.
Oakland—Mr. Kenneth S. Thomson, Secy.-Mgr., Oakland Ass'n. of Credit Men, 414 Central Bank Bldg.
San Diego—Mr. Lawrence Holzman, Secy.-Mgr., San Diego Wholesale C. M. A., Bank of America Bldg.
San Francisco—Mr. O. H. Walker, Secy.-Mgr., Credit Mgrs. Ass'n. of No. & Cent. Calif., 333 Montgomery St.

COLORADO—*Denver*—Mr. J. B. McKelvy, Secy.-Mgr., Rocky Mountain A. C. M., 810 14th St. Bldg.
Pueblo—Mr. Roy A. Payton, Asst. Secy., Pueblo A. C. M., P. O. Box 474

CONNECTICUT — *Connecticut* — Mr. Carl Stephan, Secy.-Mgr., Connecticut A. C. M., % Hoggson & Pettis Mfg. Co., 141 Brewery St., New Haven, Conn., Asst. Secy.-Mgr., Miss V. B. Dickerman, 23 Temple St., New Haven, Conn.
Bridgeport—Mr. N. C. Brooks, Secy., Bridgeport A. C. M., % Dictaphone Corp., 375 Howard St.
Hartford—Mr. E. J. Sather, Secy.-Treas., Hartford A. C. M., % Colt's Patent Fire Arms Mfg. Co.
New Haven—Mr. Geo. H. Priess, Secy., New Haven A. C. M., % Winchester Repeating Arms Co.
Waterbury—Mr. L. S. Fitch, Secy., Waterbury A. C. M., 36 N. Main St.

DISTRICT OF COLUMBIA—*Washington*—Mr. A. L. Birch, Secy.-Mgr., Washington A. C. M., 755 Munsey Bldg.

FLORIDA—*Jacksonville*—Credit Ass'n. of Northern Florida, 201-02 Graham Bldg.
Tampa—Mr. S. B. Owen, Secy., Tampa A. C. M., P. O. Box 2128.

GEORGIA—*Atlanta*—Mr. Fred H. Sned, Secy.-Mgr., Atlanta A. C. M., 305 Chamber of Commerce Bldg.

IDAHO — *Lewiston* — Mr. Frank Morris, Secy., Lewiston Wholesale C. A., Rm. 307, Breier Bldg.

ILLINOIS—*Chicago*—Mr. J. F. O'Keefe, Secy., Chicago A. C. M., 21st Fl. Merchandise Mart.
Peoria—Mr. Frank A. Weber, Secy., Peoria A. C. M., % John C. Streibich Co., 301 S. Washington St.
Quincy—Mr. J. Marian Forsthove, Secy., Quincy A. C. M., 2340 Jersey St.
Springfield—Miss Eda Mueller, Secy., Springfield A. C. M., % George A. Mueller Co.

INDIANA—*Evansville*—Mr. A. H. Oschmann, Secy., Evansville A. C. M., 504 Furniture Bldg.
Fort Wayne—Mr. Fred K. White, Secy., Ft. Wayne A. C. M., 314 Transfer Bldg.
Indianapolis—Mr. Merritt Fields, Exec. Mgr., Indianapolis A. C. M., Peoples Bank Bldg.
South Bend—Mr. E. J. Payton, Exec. Mgr., South Bend A. C. M., 2nd Fl., News-Times Bldg.
Terre Haute—Mr. Edward K. Strachan, Secy., Terre Haute A. C. M., 532 Grand Opera House Bldg.

IOWA—*Burlington*—Mr. Jesse L. Thomas, Secy.-Treas., Burlington A. C. M., 515 Iowa State Bank Bldg.
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Davenport—Mr. H. B. Betty, Secy., Tri-City C. M. A., First National Bank Bldg.
Des Moines—Mr. Don E. Neiman, Secy., Des Moines C. M. A., 820 Valley Nat'l. Bank Bldg.
Ottumwa—Mr. S. A. Scott, Secy., Ottumwa A. C. M., % Spry Bros.
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Waterloo—Mr. J. E. Jordan, Secy., Waterloo A. C. M., 214 Marsh-Place Bldg.

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Shreveport—Mr. John A. B. Smith, Secy.-Mgr., Shreveport Wholesale C. M. A., Inc., 214 Ardis Bldg., P. O. Box 371.

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MASSACHUSETTS—*Boston*—Mr. Joseph M. Paul, Secy., Boston C. M. A., 38 Chauncy St.
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Grand Rapids—Mr. Edw. DeGroot, Secy., Grand Rapids A. C. M., 602 Assn. of Commerce Bldg.
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Lansing—Mr. Lee H. Vaughn, Secy., Lansing A. C. M., % Dudley Paper Co., 740 E. Shiawasse St.
Saginaw—Mr. O. J. Pelletier, Secy., Northeastern Mich. A. C. M., % Tanner & Daily, Bay City, Mich.

MINNESOTA—*Duluth*—Mr. E. G. Robie, Secy., Duluth-Superior District Credit Assn., 501 Christie Bldg.
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Great Falls—Mr. F. E. McDonnell, Secy.-Mgr., Northern Montana A. C. M., P. O. Box 1784.
Helena—Mr. P. G. Schroeder, Asst. Secy., Helena A. C. M., 26 W. Sixth Ave.

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Marietta—See Parkersburg, West Virginia.
Toledo—Mr. Geo. B. Cole, Exec. Mgr., Toledo A. C. M., 622 Madison Ave.
Youngstown—Mr. O. E. Johnson, Secy.-Mgr., Youngstown A. C. M., Mahoning Bank Bldg.

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PENNSYLVANIA—*Allentown*—Mr. J. H. J. Reinhard, Secy., Lehigh Valley-Berks C. A., Inc., 501 Hunsicker Bldg.
Altoona—Mr. P. A. Kerin, Dist. Mgr., C. A. of Western Pa., 1413 11th Ave.
Harrisburg—Mr. Earl V. Glace, Secy., Harrisburg A. C. M., % Devine & Yungel Shoe Mfg. Co.
Johnstown—Mr. John R. Vogle, Dist. Mgr., C. A. Western Pa., 634 Swank Bldg.
Philadelphia—Mr. Samuel Ardron, Jr., Secy.-Treas., C. M. A. of Eastern Pa., 220 S. 16th St., Cunard Bldg.
Pittsburgh—Mr. H. M. Oliver, Exec. Mgr., C. A. of Western Pa., 6th Fl. Westinghouse Bldg., Ninth St. & Penn Ave.
Uniontown—Mr. F. W. Mosier, Dist. Mgr., C. A. of Western Pa., 704 2nd Nat'l. Bank Bldg.
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An old English epitaph

"Owen Moore
Has gone away,
Owin' more
Than he could pay."

A business man visited one of the great downtown banks. He had $50,000 in securities in a brief case.

"I want to get the smallest loan you can make on this collateral," he said.

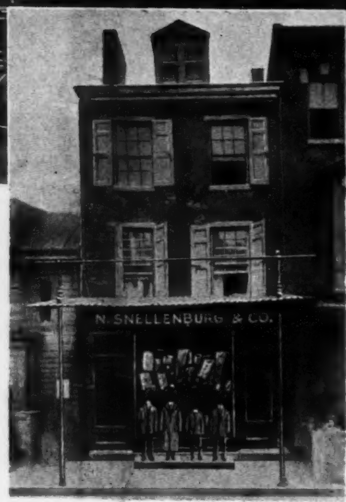
"You mean the largest," smiled the vice-president.

"No, I mean the smallest."

The vice-president suggested several thousand dollars. The business man said no, that he needed only a little petty cash—say, $10 or $20.

The bewildered officer finally agreed to a $20 loan. He figured the man must have lost his mind. Quite a bit later the bank saw the light. A safety deposit box would have cost the business man some $20 a year. By negotiating the loan the fellow was leaving his securities in safe keeping for only $1.20 a year.

SPANNING THE YEARS



1873

IN 1878 N. Snellenburg and Company of Philadelphia was five years old and occupied the "shop," shown in the insert, at 318 South Street.

In 1878 J. E. Hyneman and Company, in its tenth year, was appointed agent for the Newark Fire Insurance Company and placed the Snellenburg insurance account with that Company.

In 1878 the Newark Fire Insurance Company, then sixty-seven years old, was "building for the future" by maintaining a sound financial condition and employing progressive underwriting methods. Acquiring this account laid another stone in the foundation which was to support a long span of sound insurance protection throughout the years.

1934

In 1934 N. Snellenburg and Company, now one of Philadelphia's leading department stores, occupies the imposing structure shown in the large photograph.

In 1934 Charles T. Monk and Company, successor to J. E. Hyneman and Company, is still handling the insurance for the Snellenburg department store and placing it with the Newark Fire. Again a Royal - Liverpool Company has "spanned the years"—rendering to this store fifty-six years of sound and uninterrupted protection.

In 1934 the Newark Fire, in common with the other Companies of the Royal-Liverpool Groups, is still "building for the future," offering the utmost in service and protection to Agents and Insureds.

ROYAL-LIVERPOOL GROUPS

ONE HUNDRED FIFTY WILLIAM STREET, NEW YORK, N. Y.

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